THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses
2003–2004

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THE EMPIRE CLUB OF CANADA

2003–2004
100th Yearbook

Her Majesty Queen Elizabeth II
Queen of Canada
wearing Her Canadian insignia
as Sovereign of the Order of Canada
and the Order of Military Merit

THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses 2003–2004

God Save The Queen

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The Empire Club of Canada

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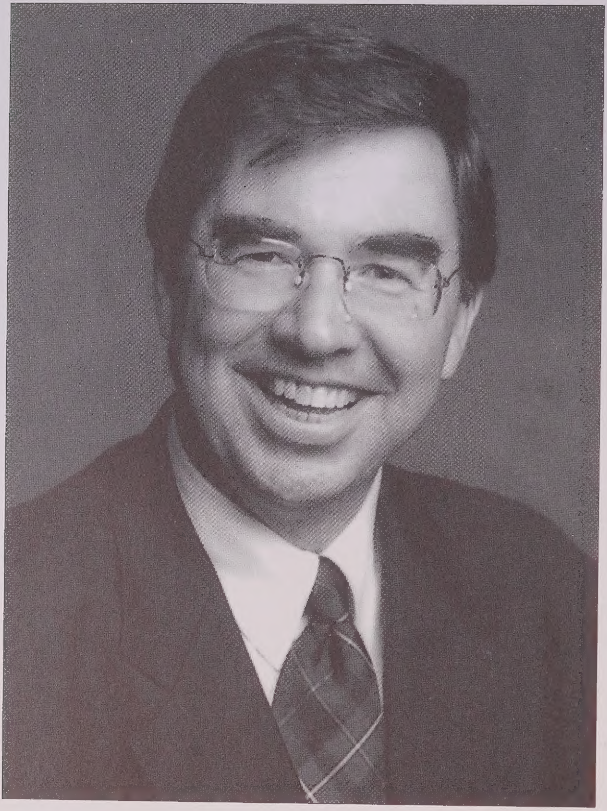

John C. Koopman
President, 2003–2004

THE EMPIRE CLUB OF CANADA PRESIDENT'S FOREWORD

If you have some intellectual curiosity, for its 101st consecutive year the Empire Club of Canada was an interesting place to be. As has been the case for a century, Empire Club speakers were again at the centre of changing thought, or changing events in society.

At our first luncheon we were exposed to the Chief Mountain Challenge. This address combined the brilliance of Mr. John Weston's legal brief with the personal dignity of Chief Mountain. The address points to a way forward on aboriginal policy and rebuts much "accepted wisdom."

The province elected a new premier, and the new Conservative party held both its first leadership race and ran its first election campaign. The club hosted the leading candidates in all these contests. Two of these political speakers, Prime Minister Paul Martin and Conservative leadership aspirant Ms. Belinda Stronach, each drew about 1,200 luncheon guests! Over the course of the year we also hosted a number of new cabinet ministers.

Since the September 11, 2001 tragedy, the relationship between religion and secular society is again on the public agenda. In this regard we were privileged to host princes of two of Canada's leading churches. The reaction of the western world to the post Cold-War reigniting of religious and ethnic tensions was addressed by Canada's most thoughtful former infantry general, as well as by prominent members of the German political establishment—one from the political left, and one from the right.

The unpredictable face of technology was addressed by the chief executive officers of leading global companies such as Nortel, Sun and Xerox. Nortel is still trying to recover from the collapse of the dotcom bubble and it is not yet clear if the Sun vision of distributed computing will succeed. As for Xerox, under the leadership of an inspiring woman, it has escaped a brush with bankruptcy and is again growing strongly.

Other speakers drew us back to seminal events of the past that have shaped our world. We celebrated the 60th anniversary of D-Day with the author of a book that reviews the contributions of Canadian soldiers to that great and awful day. We were privileged to have with us for that celebration, as our guests, a number of World War Two veterans. Soon after the funeral of former president Ronald Reagan we hosted a key presidential advisor who helped shaped President Reagan's plan to end the Cold War.

The year was about more than just politics and history. Learning about the Man in Motion Tour from Rick Hansen was inspiring, Tom Wright made us feel good about the future of the Canadian Football League and Craig Kielburger, the last speaker of the year, and the youngest Empire Club speaker ever, left us with a riveting "call to arms."

Serving as the Empire Club's 101st president has been a great privilege. I hope that this collection of speeches will give readers in future generations as much pleasure as the original speeches gave me in mine.

John C. Koopman, President, 2003–2004

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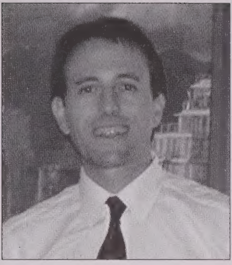


September 18, 2003

John D. Weston

General Counsel to the Chief Mountain Group

SOVEREIGNTY WITHOUT THE REFERENDUM: CHIEF MOUNTAIN SPEAKS ON BAY STREET

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Duncan N.R. Jackman, Managing Partner, Fulcrum Investment Company and Director, The Empire Club of Canada; Elizabeth Diamantopoulas, Grade 12 Student, North Toronto Collegiate Institute; Rev. Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada; Bill Laidlaw, President, Parkelaw Inc. and Past President, The Empire Club of Canada; Mark W. Mitchell, Vice-Chair, Fraser Institute; James Robinson, Chief Mountain; Loudon F. Owen, Managing Partner, McLean Watson Capital and Director, The Empire Club of Canada; Gordon Henderson, President, 90th Parallel Productions; Crystal Robinson, Spouse of Chief Mountain; and Garfield Mitchell, Vice-President, Community Affairs, George Weston Limited.

Introduction by John Koopman

By 1876, the leaders of all the other plains tribes had signed treaties. Half-Cree, half-Ojibway, leading a tribe of 3,000, Big Bear refused to sign Treaty No. 6. He feared the loss of freedom entailed in it would crush his people's way of life. Eerily prescient, Big Bear predicted the feeling of powerlessness and despair so endemic on aboriginal reserves today.

On October 16, 1969, a young 35-year-old federal minister of Indian and Northern Affairs spoke to this club for the first time. At the age of 31 this young man had already served as parliamentary secretary to the Right Honourable Prime Minister Pearson.

His objective was to preside over the liquidation of his department, and our president described our speaker as the last and greatest minister of Indian Affairs.

The young minister understood the spirit of Big Bear, I think. He had just published a ground-breaking white paper calling for the repeal of the Indian Act. At this club, in describing aboriginal policy up to 1969, the minister said: "Whether we like it or not...it has led to a blind alley of deprivation and frustration."

The young minister was serving in Pierre Trudeau's government. And it was Trudeau who pithily summed up the intellectual thought behind that 1969 White Paper when he said: "Canadians should not be making treaties with other Canadians."

The minister was Jean Chrétien and the White Paper went nowhere. The White Paper's proposals stirred up a storm of protest, and it was withdrawn. Alberta's Harold Cardinal penned what has come to be known as the Red Paper, and that Red Paper's framework has largely governed federal aboriginal policy since.

The past 35 years and the cascade of Canadian history have now brought us to the Nisga'a Treaty. Is the treaty an egress from the cul-de-sac of aboriginal poverty? Or does the Nisga'a Treaty extend a failed, discredited federal policy? To paraphrase Winston Churchill (which is never a bad thing to do at the Empire Club) is Canadian aboriginal policy descending incontinently, fecklessly the stairway, which leads to a dark gulf?

Do Mr. John Weston and Chief Mountain carry on the spirit of Big Bear or are they akin to King Canute ordering the tide not to rise?

Mr. Weston and Chief Mountain know the answer to this question.

Mr. Weston and the Chief Mountain Challenge are not for the faint of heart. Anyone raising questions about this treaty is rapidly accused of being mean-spirited. Governments at all levels range from being disinterested in the challenge to being openly antagonistic. The challenge receives no government funding.

Mr. Weston is a very intelligent man. He is not even a full-time constitutional lawyer. He is an international commercial lawyer who has practiced with Baker & Mackenzie and Fasken Martineau. He speaks mandarin and has published over 80 articles. He also runs triathalons.

Chief Mountain, also known as James Robinson, is a courageous man who has suffered ostracism in his own community as a result of this suit. He is also a carpenter and an ancestral Nisga'a chief.

Let's find out why a pair of apparently sane intelligent men would tangle with the most ideologically charged area of Canadian public policy. We will first hear from Mr. Weston and subsequently from Chief Mountain.

Ladies and gentlemen, please welcome Mr. John Weston to the podium of the Empire Club of Canada.

John Weston

President Koopman, Chief Mountain, ladies and gentlemen and friends, it is an honour to be here. For 100 years, the Empire Club has enhanced our image of ourselves as Canadians. It has provided a unique forum for the presentation of issues that have enduring importance, both nationally and globally. The topic I will address today, which is the shape of our Constitution and therefore our country, will affect present and future generations profoundly.

There are very few pop songs about constitutional law, and it is sometimes seen as a dull area. It is often associated with ancient professors or unpopular politicians. As I was flying on the red-eye flight from Vancouver, I wondered how best to impress upon you just how vital this area is, particularly at this point in our history. I fell into a fitful sleep and began to dream. Suddenly, a genie appeared. Sounding a bit like a politician, he told me I could have any wish I wanted. My wish was to compete successfully for the attention of this illustrious Toronto audience. He promised Torontonians would indeed be shaken and rattled by the end of my speech. As Hurricane Isabel closes in today, it looks like I have got more than I asked for.

Everyone in this room is concerned about the hurricane that's coming our way. It's immediate, unpredictable, and may unleash forces beyond our control. I'm here to discuss another form of hurricane, something far more insidious and potentially deadly than the windstorm coming up from the U.S. The constitutional hurricane gathering force over our country is destined to bring destruction, chaos, and danger that could literally rip Canada apart.

My talk addresses the Nisga'a Treaty. I will explain why Chief Mountain claims the document is clearly unconstitutional and why this issue is important to each of us.

The Nisga'a people number 5,500, 2,000 of whom live on their ancestral lands in northwestern B.C., near the Alaska Panhandle. They received $453 million in funds pursuant to the terms of the 700-page treaty. The treaty was passed into law by the NDP government in B.C., the Chrétien Liberals and the Nisga'a tribal council three years ago.

Chief Mountain claims the treaty is unconstitutional due to one simple, but critical reason. It says that in at least 14 areas of law-making, if Nisga'a law conflicts with Canadian or provincial law, Nisga'a law prevails. This creates a new nation, or a "third order of government."

Canada's law-making framework dates back to 1867, when the BNA Act stated explicitly that all legislative powers were distributed between two levels of government—federal and provincial. Not three, not four, and certainly not over 600 levels of government. Two levels of government. For over 100 years, our courts have upheld this fundamental premise.

In the words of the late Supreme Court of Canada justice, Bud Estey, the treaty is unconstitutional. It creates an "independent nation state," with its own land, boundaries, government, citizens, police force, judiciary, and powers over Nisga'a citizenship.

What has been given to the Nisga'a government far exceeds what the Parti Quebecois ever asked for. What would be the consequences of giving these same rights to

Quebec? What would happen if Quebec laws prevailed over federal laws? As you would suspect, Quebec separatists were passionate supporters of the treaty.

Chief Mountain is an ancestral chief and a courageous man. He takes his responsibilities to the Nisga'a seriously. His title is important. The name was formerly held by the most prominent of the Nisga'a chiefs in the late 1800s. The Chief Mountain of 1881 led the Nisga'as' initial delegation to Victoria to pursue their land claim.

Today Chief Mountain dares to stand against his own Nisga'a government, the government of B.C., and the government of Canada. He has launched an action in the courts to declare that the treaty violates our Constitution. He says that, by turbo-charging his Nisga'a government officials with new powers, people outside circles of government favour will be marginalized and vulnerable. They lack the protections of the Canadian Constitution, he says, including the Charter of Rights. They also lack legislative protections such as human rights codes and oversight by the Ombudsman.

In current cases launched by Nisga'a people, these fears have already been substantiated. In one case, a Nisga'a fisherman has alleged wrongful discrimination under the B.C. human rights code. He claims he's been denied a fishing license based on his opposition to the Nisga'a government. The first defence raised by the Nisga'a government was jurisdiction. In other words, the Nisga'a government claims Nisga'a people do not have the protection of the provincial human rights code.

In a separate case, a Nisga'a woman has alleged that Nisga'a government officials have misappropriated some of the $453 million received under the treaty. She raised her complaint with the B.C. Ombudsman. He declined jurisdiction.

In fact, Chief Mountain claims his and other Nisga'a lands were traded away by the Nisga'a government in return for its new, over-arching powers.

In addition to Mr. Justice Estey, many other constitutional experts have concluded the treaty breaches the Constitution. The list includes Mr. Justice William McIntyre, formerly of the Supreme Court of Canada; Mr. Justice Michael Goldie, formerly of the British Columbia Court of Appeal; Chris Harvey, one of Canada's top constitutional lawyers; and Derek Creighton, one of Vancouver's top litigators. These and other lawyers have joined me to represent Chief Mountain. They are all convinced the treaty is unconstitutional and that the case is absolutely fundamental to Canada's future. Consistent with these beliefs, the legal team has written off, subsidized and postponed its fees to keep Chief Mountain's claim alive in the courts. If the courts agree with us, the treaty will be declared invalid from the get-go.

The Nisga'a Treaty is a template for all aboriginal bands, in B.C. and throughout the country, including Ontario. Its principles are already being applied in negotiations for new treaties. In fact, just last Friday, I had people in my office who plan to challenge the newly drafted treaty that governs the Westbank band in the Kelowna area. Following the Nisga'a example, the Westbank Agreement says that, in certain cases of conflict, Westbank law will prevail over Canadian law.

The third order of government principle also applies to old treaties even those completed over 100 years ago in places like Ontario. It's clear that a band whose ancestors were not aware of the third order of government powers available to them will have the sympathetic ear of judges to re-open and re-negotiate old treaties.

As Matthew Coon-Come said when he was Grand Chief of the Assembly of First Nations, Prime Minister Chrétien can't have his cake and eat it too. Either bands are sovereign and independent, or they're not. If they're sovereign, how can they be subject to Canadian law, courts, and tribunals?

Creating hundreds of separate nations within Canada will simply splinter the country. And I emphasize, contrary to what you may hear from the mouths of aboriginal elites, this is not what rank-and-file aboriginals or ancestral leaders want. They do not look forward to tribal councils with the powers of a national government. Who will protect the average Nisga'a if there is an abuse of power? Who is accountable for the $453 million the Nisga'a government received? Who can challenge the Nisga'a government decision to spend millions of dollars on its own parliament building? Who will constrain the action of the Nisga'a government's president or their newly appointed cabinet ministers? There is over 90-percent unemployment in Kincolith, Chief Mountain's ancestral home. In this desperately poor and dependent community, a very small group has been given unbridled economic, legal, social and political power.

None of you would want or accept this situation in your own neighbourhoods, particularly if nine out of 10 of you were unemployed with little or no hope of employment in the future, except from your government.

So what does Chief Mountain seek as an alternative? He does want a treaty. And, yes, he desires an autonomy that would facilitate the blossoming of Nisga'a culture, language, and traditions. But he still wants to have his full rights and protections as a Canadian. This, he says, is possible simply by changing the treaty to say that, in the event of conflict between Nisga'a and Canadian or provincial law, Nisga'a law will NOT prevail.

The third order of government or a plethora of separate nations may be coming soon to a theatre near you. Prime Minister Chrétien has pledged to make self-government a cornerstone of any new treaty, even though the government acknowledges we lack a clear definition of "self-government." As I've said, old treaties will be reopened in an attempt to incorporate the newly discovered self-government power. Each one of the 634

Indian bands in Canada is a candidate to recognize its own independent self-government, equipped with the same sovereignty as that conveyed by the Nisga'a Treaty.

With 634 new governments in Canada we can expect a thicket of legal wrangling over jurisdiction and a proliferation of bureaucracy. A few powerful elites will have an appalling level of control over land, people and purse strings.

The economic consequences are obvious. Depleted tax dollars. More red tape. Lowered bond ratings. Retreating investment dollars.

Prior to their election, the current Premier of BC (Gordon Campbell) and the current Attorney-General (Geoff Plant), took the unprecedented step as Opposition leaders to sue the government, alleging the treaty was unconstitutional. But, once elected, they performed a 180-degree snap turn, abandoned their appeal, and now oppose Chief Mountain in the courts.

As Campbell and Plant found, people don't want to fight the image of "aboriginal self-government" and "treaties" because these ideals sound so good on the surface. But Chief Mountain is not fighting aboriginal self-government or treaties. All he wants are self-government and treaties that are legal and valid under the Constitution.

The Chrétien government does not have a longstanding commitment to the third order of government. Ottawa's commitment to this new and dangerous path is only a decade old.

So there you have it. Chief Mountain, a carpenter of modest means, lines up against the taxpayer-supported lawyers of three governments: the compromised B.C. government; the flip-flopped Chrétien government; and Nisga'a government officials, who themselves negotiated a treaty over the heads of Chief Mountain and other ancestral leaders.

A combination of expediency and a cowardly fear of speaking out about aboriginal self-government are combining to suppress these matters, in public and in the courts. You would think our elected officials would unanimously back a hasty judicial review of self-government. Instead, they have blocked all avenues of public funding to frustrate a hearing of Chief Mountain's claim. There they are—a modest group of impecunious Nisga'a Canadians, stalled at the courthouse door by three well-funded adversaries, which use taxpayers' money to fuel their Goliath-like opposition. A court date has been tentatively set for November 2004, but this will rely heavily on the ability of Chief Mountain to muster funding soon.

We Canadians have again and again proven our ability to deal with threats, standing shoulder to shoulder to respond to foreign wars and, more recently, to oppose SARS, terrorism, and polluted drinking water. The third order of government is a new kind of threat, harder to identify since it began with our own governments. But I believe the community of Canadians, ALL Canadians, will meet this threat successfully, too.

In fact, momentum is building. Supporters of Chief Mountain's case now include foundations and agencies, some of which are represented here today: the Donner Foundation; the Garfield Weston Foundation; the National Citizens' Coalition; the Canadian Taxpayers' Federation; and the Canadian Constitution Foundation. If you want to learn more or to join with them in support, please refer to their Web site address noted in the hand-outs. Meanwhile, as Ontario faces a provincial election and the Chrétien era comes to an end, don't forget to ask your elected officials to declare their positions on the self-government issue.

I believe, ladies and gentlemen, there is NO case in the Canadian courts that is as critical as the Chief Mountain Challenge for the future of Canada. If Chief Mountain succeeds, we will have achieved a stable foundation from which all Canadians may negotiate treaties, help aboriginal people attain their goals, and get on with the unfolding of this nation's future. If Chief Mountain can prove the treaty is unconstitutional, we can put in place a new, useful template that reconciles differences rather than exacerbating them. His template encourages national unity instead of destroying it. His doctrine is that of reason—not treason.

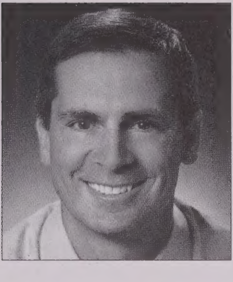
We have a choice to make. Do we remain one nation? Or do we trade away the constitutional rights and protections of aboriginal Canadians, carving up Canada into more than 600 fragmented nations?

This is an epic challenge: not just for flag or anthem, but for the community we call "Canada."

The appreciation of the meeting was expressed by Loudon F. Owen, Managing Partner, McLean Watson Capital and Director, The Empire Club of Canada.

CHIEF MOUNTAIN

Rev. Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada, Crystal Robinson, Spouse of Chief Mountain and James Robinson, Chief Mountain.



September 19, 2003

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Dalton McGuinty

Leader of the Ontario Liberal Party

THE NEED FOR CHANGE

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

The Rev. Dr. John S. Niles, Rector, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada; Ruth Trainor, Grade 12 Student, North Toronto Collegiate Institute; The Rev. Roland de Corneille, Anglican Priest, Former Member of Parliament, Eglinton-Lawrence; Gerry Phillips, Liberal Candidate, Scarborough-Agincourt; Mark Cohon, President, Audienceview Software; Kiki Delaney, President, C.A. Delaney Capital Management Ltd.; Rai Sahi, Chairman and CEO, Morguard Corporation; John A. Campion, Partner, Fasken Martineau DuMoulin LLP and Past President, The Empire Club of Canada; Robert Lantos, OC, Producer, Serendipity Point Films and Founder, Alliance Communications; Mary Anne Chambers, Liberal Candidate, Scarborough East and Past President, The Canadian Club of Toronto; W. Edmund Clark, President and CEO, TD Bank Financial Group; and Ravi Seethapathy, PEng, President, The Canadian Club of Toronto and Chairman, Engineers Without Borders.

Introduction by John Koopman

When California gubernatorial candidate Arnold Schwarzenegger was attacked by his opponents for some things he did and once boasted about in his body-building days, he said: "I did not live my life to be a politician."

Now Mr. Schwarzenegger was trying to excuse himself from some behaviour for which he probably should feel some shame, but his comment did inadvertently highlight the very high standard to which we in the western democracies hold our leaders.

In the bump and grind of daily life and our inevitable public policy disagreements, we too often lose sight of the honesty, integrity and strength of character of the vast majority of our political leaders, particularly here in Ontario, where we have historically been uncommonly blessed. We may not always agree with our leaders but we are seldom given cause to question their probity.

In the heat of election campaigns civility falls too easily by the wayside and Ontarians of all political stripes take pride in the high road that Mr. McGuinty has taken to-date in the campaign.

We should not be surprised. After all, Mr. McGuinty is a grit.

Grit originally referred to the first-grade sand that the old Scottish stonemasons of Upper Canada liked to use in making mortar.

Grit appears in literature when Mark Twain's Huckleberry Finn sees Mary Jane, and Twain writes that Huckleberry said: "She had more grit in her than any girl I ever see. She had the grit to pray for Judus, if she took the notion—there warn't no backdown to her."

What Huckleberry means is that Mary Jane has pluck, stamina and an ability to see things through to the end.

Grit was first used politically by George Brown in 1850 in what was then Canada West (and is now Ontario) to describe the quality of character required to join his reform party.

Well Mr. McGuinty is clear grit and Brewers 1894 Dictionary of Phrase aptly describes a clear grit as "a man of decision, from whom all doubt or vacillation has been bolted out, as husks from fine flour."

Mr. McGuinty worked his way through school, for a while as an orderly in a veteran's hospital. He is an Ottawa lawyer who was first elected to the Ontario legislature 13 years ago for the riding of Ottawa South, which his father represented before him. He aspires to be premier of Ontario. Let's hear him explain, in his own words, why.

Ladies and gentlemen, please join me in welcoming the Honourable Dalton McGuinty to the podium of the Empire Club of Canada.

Dalton McGuinty

Distinguished guests, ladies and gentlemen, friends. First of all let me thank the Canadian Club and the Empire Club for extending the invitation and giving me the opportunity to speak to you today.

We find ourselves in the thick of a provincial campaign. There are some very important issues being placed before our electorate.

This is Day 18 of the campaign and I've come to two overwhelming conclusions. Number one: no matter how much furniture you put in the bus, you still can't make it luxurious! Number two: I should have run in Prince Edward Island; this is one big province!

It has been nothing less than an absolute privilege to run for premier in the Province of Ontario. For the past six years, I have put more kilometres on our van that they provide me with as Leader of Her Majesty's Loyal Opposition than I care to acknowledge. But you cannot help but be impressed by this magnificent province, its people, and its geography.

I have had the benefit of having my wife, Terri, accompanying me. She's been absolutely superb in terms of keeping me grounded and lending me the support I need. Why she hasn't changed the locks on me the past 13 years, I simply do not understand.

For the past 13 years, I have lived by and large in Toronto or I have been travelling the province. Terri continues to look after our home and raise our children back in Ottawa.

Here's a true story. A number of years ago I was travelling and I was exhausted at the end of the day. In keeping with our custom I called Terri, but I forgot to put in the area code. A woman answered.

"How did the day go?" I said.

"Oh, not bad," she replied.

"Did you get the kids to bed?" I asked.

"Yes, they're all asleep," she said.

Then something clicked.

"You're not my wife," I said.

She replied, "You're not my husband," and hung up the phone.

We may have our differences in this province, but there is today in Ontario a strong and growing consensus for change. People long for something better because they don't like what they see.

They see longer health-care waiting lists. They see a public school system in a steady state of decline. They see frightening threats to the quality of their water and their food, they see $21 billion added to the provincial debt, and an annual bill of $1.6 billion to pay for that debt.

They see a government that has spent eight years pursuing policies that separate people rather than bring them together. Policies that divide and conquer some of us, rather than unite and serve all of us. They see a government that feels it must create enemies in order to secure votes. Teachers, nurses, young people, gays, lesbians, new Canadians, unions, the homeless and people on welfare. Each has taken its turn as a Tory target. That's the politics of division. That's not real leadership.

People long for something better so we're offering the high road. We know we can do better. And we will do much better. Let me tell you how.

Right off the top, we're going to run a tight ship. I represent a new generation of Liberals in the province. As one of 10 children, and as a parent with four children, I understand a little something about how to make ends meet—about living within our means.

Here's the point. We will not raise taxes on our families. We will not run deficits. We will balance the books. And we will not add to the provincial debt.

Everybody on the street—everybody in this room—knows that the Eves government is currently running a multi-billion-dollar deficit. TD Bank, Dominion Bond

Rating Service, and Standard and Poors have all said so and they have put their views in writing. That's what more than eight years of mismanagement has brought us: the road back to deficits.

When he was first asked what his plan for Ontario would cost, Mr. Eves said he didn't know. More recently he said it would cost $650 million. Yesterday he said it wouldn't cost anything. Not a penny.

According to Mr. Eves, not only is he not running a $2-billion deficit, but taken altogether, his $3.2-billion promise to corporations, his $500-million promise to private schools, his $450-million promise to seniors, his $700-million promise to mortgage holders, and his $700-million cost for a teachers' strike ban—that's his figure not mine—add up to nothing in terms of additional cost. If you believe that, then you believe that J-Lo and Ben would have had a very long and happy marriage!

We have costed out our plan. It's $5.9 billion at the end of our fourth year. Yes, it's a sizeable price tag, but it's half the cost of the Tory platform. And we know where we're getting every single penny. Instead of billions in give-aways to large corporations and private schools, spending on private consultants and partisan government advertising, we're going to do better for all Ontarians for a change.

Our plan has been fully costed over four years. We have subjected it to a rigorous review by an independent forensic accountant, and had it examined by leading independent economists, who tell us that it will ensure balanced budgets. The Canadian Taxpayers Federation, hardly the kind of organization that you would expect to be in my back pocket, when they described our four-year program of targeted investments and balanced budgets, said, "A responsible plan." We've done our homework. We're going to run a tight ship. Your money will be treated with respect. It will bring you better value. You have my word on it.

The second part of our plan for the economy is the determination to build the best work force in North America right here in Ontario. And we are convinced that the way to the top is not by chasing Mississippi to the bottom. It's by building our work force to be the best educated, the most highly skilled, the best-developed talent in all of North America. That's the race that we choose to run.

I think U.S. economist Lester Thurow said it best when he said, "In a world where you can borrow your capital, and copy your technology, and buy your natural resources, there's only one thing left on which to build a high-wage economy—skills." There isn't anything else. So we're going to begin where it counts—with children and schools. We're going to make quality child care and education available to our youngest learners. We're going to adopt better standards and training for early childhood education in Ontario. We're going to achieve improved learning through a real cap on class size on the all-important early grades. I'm talking about a real cap—not more than 20 kids from junior kindergarten through to grade 3.

I have had the opportunity to speak with many teachers and parents, but I particularly recall a story told to me by Mrs. Fox. She had 26 junior kindergarten children in her class. Coincidentally she had been teaching for some 26 years. And she said, "Mr. McGuinty, I want you to understand something about the nature of my work. Every day in my classroom—and these are three, four and five-year-olds—somebody's going to wet their pants. There's going to be a fight. There are going to be bumps, bruises, scrapes and cuts. And somebody's going to try and escape."

She told me a particular story about a young lad, who was going to be sick to his stomach. Across the room, two other guys were getting into a scuffle, so she directed the sick child over to the garbage can, and dealt with the guys in the scuffle. But the child who was going to be sick to his stomach fell asleep with his head in the garbage can.

We don't need experts to tell us this, but if we need confirmation of it, there's plenty of it. The single most important thing we can do to improve the quality of public education that we deliver to our children is to ensure that they get the individual attention that they need to succeed and to give that to them in the early years. Will there be some resistance to this? Are there some naysayers? Absolutely! Let me tell you this folks—something that my parents told me and I'm sure yours told you the same thing: "Nothing worth doing is ever easy." We're going to get this done. We're going to give our kids the good kind of start that they need in life. That's not only in their interest; it's a matter of enlightened self-interest.

Here's another challenge that we're prepared to embrace. We're going to raise the drop-out age from 16 to 18.

Have you ever seen those vacant eyes of kids in dead-end jobs? Have you ever seen them hanging around the shopping malls, getting into trouble? We're not going to allow that to continue. We're going to insist that young people continue to learn until the age of 18.

We're going to double the number of apprenticeships in the Province of Ontario from 13,000 to 26,000. We'll develop more co-op programs. We will engage and challenge young people in the Province of Ontario. It is in our interest that they be able to achieve their potential to contribute to the health and well-being of our society and our economy.

We're not going to give up on kids who are 16 and 17 years of age who have been shunted to the side. At the post-secondary level we're going to expand our capacity by 50,000 spaces.

Our colleges and universities clearly need major investment, but not the same kind of 130-per-cent tuition increase that we've seen during the last decade. So we're going to freeze tuition for at least two years. We're going to increase financial help for students. And we're going to provide a 50-per-cent tuition waiver for the neediest students.

We're placing a very important choice in front of the people of Ontario. What race do you want to run? Do you want to compete with Alabama and Mississippi or do you want to compete against Massachusetts—the wealthiest jurisdiction in North America by far?

If you listen to Mr. Eves, I am against school children, homeowners, and seniors. A couple of days ago I was against farmers. I'm against kittens. You may have read the story a couple days ago that apparently there are three Wiarton Willies: two have gone missing. Before he says it, I'm guilty as charged.

I'm very much enjoying this campaign. We're not offering easy leadership. We're not offering just-tell-them-whatever-they-want-to-hear leadership. We're not offering the politics of division. We're not trading in the politics of cynicism. We're speaking to the very best in people. We're appealing to what Abraham Lincoln called "the better angels of our nature." We're appealing to people's better instincts to build a better province for all of us.

I got into politics and I stay in politics because there's an abiding conviction throughout humanity. There's something noble in people, something deep down that says, "It is better when we support one another. It is better when we work together. It is better when we build together. And it is better when we dream together."

I'm saying to the people of Ontario—and I'm very proud to say this on behalf of my party, and our traditions, and I'm particularly pleased to have one of my predecessors, David Peterson, here today—it's okay to be hopeful again. We recognize your right to be optimistic about tomorrow—and the day after that, and the day after that.

We can and we will have water that is safe to drink.

We can and we will have meat that you don't have to second-guess.

We can and we will have the best public schools with smaller classes and enthusiastic teachers.

We can and we will have a government that understands that as a matter of basic fairness you must bring to the table both labour and management.

We can and we will have a strong economy built on that strongest of foundations—a highly skilled and educated work force.

We can and we will have a strong, caring and compassionate society where people understand that it is right for us to look out for those who through no fault of their own can't look out for themselves.

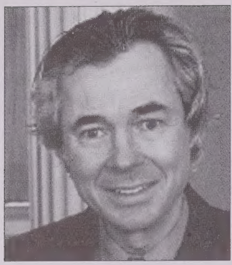
We can and will have the kind of leadership that people are entitled to—the kind of leadership that doesn't seek to divide but rather, in every possible instance, seeks to bring us together.

We can and we will be our best once again in this province.

We can and we will have change.

And my friends, with your support, that change will begin on the 2nd of October.

The appreciation of the meeting was expressed by Ravi Seethapathy, PEng, President, The Canadian Club of Toronto and Chairman, Engineers Without Borders.



September 25, 2003

The Hon. Pierre Pettigrew

Minister for International Trade

DANCING WITH THE ELEPHANT: CONTENDING WITH AN ASSERTIVE SUPERPOWER IN TRADE AND GLOBAL DIPLOMACY

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, MBA, LLB, CFA, Enriched Investing Incorporated and Director, The Empire Club of Canada; Matt Davis, Grade 12 Student, North Toronto Collegiate Institute; The Rev. Vic Reigel, Christ Church, Brampton; Heather MacTaggart, Executive Director, Classroom Connections Inc.; Marketa Evans, PhD, Executive Director, Munk Centre for International Studies, University of Toronto; Jean-Michel Halfon, President and CEO, Pfizer Canada Inc.; Diana Conconi, Vice-President, Fleishman-Hillard and Director, The Empire Club of Canada; The Hon. Barbara MacDougall, President and CEO, Canadian Institute of International Affairs; Bernard Courtois, Executive Counsel, BCE and Bell Canada; and Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group.

Introduction by John Koopman

Mr. Minister, Reverend Sir, distinguished head table guests, past presidents, members and guests of the Empire Club of Canada:

The title of Mr. Pettigrew's address is "Dancing with the Elephant." The United Nations has just finished a large international study on the elephant.

Each of the member nations contributed to the study according to its particular skills: The Scots in a joint effort with my fellow Dutchmen did a study on how much it cost to feed an elephant in a year, the Swiss made a study on how much money you could make off a properly exploited elephant in a year, the Americans did one on how to build a bigger, better elephant and the French naturally did a study on the love life of "ze Oliphant." The Canadian contribution—the elephant: a federal or a provincial responsibility.

Seriously, it is appropriate that the minister speaks to us about the elephant on our southern border. After the so-called "crash in Cancun" the future success of the Doha Round of multi-lateral trade negotiations can only be described as uncertain. However, 90 per cent of Canadian export dollars and 80 per cent of Canadian import dollars are governed by NAFTA so it is our relationship with our southern neighbour that is the larger question for the Canadian economy.

The United States of America excites our admiration and in equal measure stirs our anxieties like no other country. For example, the Empire Club Foundation has the full text of all speeches ever made to the club on our Web site at empireclub.org. In total there are about 4,000 speeches. All are wonderfully indexed. Search under Canadian-foreign relations and you will find one speech on our relationship with France, two on Germany, three on India and 50 on U.S.-Canadian relations.

The Americans play a much larger role in our consciousness than we do in theirs. In 1997 Gordon Ritchie, one of the architects of the Canada-U.S. Free Trade Agreement, published a book describing the negotiations that led to the signing of this agreement.

The differences in approach were striking. Prime Minister Mulroney staked his government's future on these negotiations and appointed a trade dream team. At various times Simon Reisman, Konrad von Finckenstein, Derek Burney. Allan Gottlieb, Pat Carney and Michael Wilson all eventually played important roles. On the American side Clayton Yuetter, the U.S. Special Trade Representative, appointed a relatively junior man named Peter Murphy. Simon Reisman had direct access to Prime Minister Mulroney. Ritchie states that early on: "It became obvious Peter

Murphy was not plugged into the power centre of the American system."

From the very first meeting the Canadian media were in a frenzy and the American media seemed unaware the negotiations were taking place. Ritchie describes wild scrums taking place on the steps of the USSTR (U.S. Special Trade Representative) at the close of each day's negotiating session. The crush of reporters was often so dense the front entrance was impassable. Only once was an American spotted in the melee.

The title of Mr. Ritchie's book is "Wrestling with the Elephant," and as you know the title of Mr. Pettigrew's address again is "Dancing with the Elephant." If we have gone from wrestling with the elephant in the Mulroney years to now dancing with the elephant under the current government we can only assume that, notwithstanding softwood lumber, a mad cow, and a spate of injudicious remarks about the American president, our prime minister is correct when he states that relations with our neighbour are better than they were 15 years ago.

We can only hope to relive the halcyon days of the late '60s when Professor Dale Thompson, the Director for the Centre for Canadian Studies for the John Hopkins University, addressed this club on this same subject and the title of his address was "Sleeping with the Elephant."

We are not in bed with the elephant yet, but I am anxious to hear from the Honourable Minister where this dancing will lead us.

Mr. Pettigrew was first elected to the House of Commons in 1996 and has since been re-elected twice. He has in the past served in cabinet as the Minister for International Co-operation, the Minister Responsible for the Francophonie, and the Minister for Human Resources Development prior to being appointed the Minister for International Trade in 1999.

Ladies and gentlemen, please join me in welcoming Canada's Minister for International Trade, the Honourable Pierre Pettigrew, to the podium of the Empire Club of Canada.

Pierre Pettigrew

I have decided to call my remarks "Dancing with the Elephant." When he was prime minister, Pierre Trudeau spoke of "sleeping with the elephant." That sounded somewhat threatening. Gordon Ritchie had to "wrestle with the elephant" in the Mulroney years, and that wrestling is now paying off. That is why I can now entitle my remarks "Dancing with the Elephant." Of course, there is still some wrestling to do over the softwood lumber issue, the Canadian Wheat Board and other disputes that we have had from time to time. But all in all, I believe that talking about dancing with the elephant is quite appropriate, because we have been developing an extraordinary partnership and relationship.

Having been in Cancun just 10 days ago for the World Trade Organization ministerial meeting, I am very pleased to have "Dancing with the Elephant" as a title, because in Cancun, I felt I had never loved the Americans more. The reason is very simple. When you see the setbacks we had in Cancun with the WTO round of negotiations, you have to realize that even if the cornerstone of Canada's trade policy remains the WTO, and however much our instincts in Canada point to the multilateral road, it is imperative that we take very good care of our trading relationship in NAFTA and, in particular, with the United States. That is why I turned to U.S. Trade Representative Robert Zoellick after the collapse of the meeting and said, "Am I glad we have that free trade agreement with you. Let's deepen that relationship even further. Let's trade with the people who want to trade."

In that particular context of the WTO Doha Round, talking about dancing with the elephant is very appropriate because dancing is fun. It is also a risky operation from time to time. If the elephant steps on your foot, it hurts and sometimes many Canadians get hurt. Just go into the softwood lumber communities and you will realize how difficult things are. But all in all, dancing is still a lot of fun. I have been International Trade Minister for over four years now, and I have had the opportunity to learn to waltz, to tango, and more and more often to do the two-step. The two-step is very popular in Texas!

Canada is a country of trade. We are the major trading nation on the planet. Canada exports over 40 per cent of its GDP, often 45 or 46 per cent, year after year. That is up from 25 per cent 12 years ago. We have moved exports up to well over 40 per cent of our GDP. You may think that, because of globalization, everyone has done that in the past 12 years. Not at all. The United States is exporting 13 per cent of its GDP. Japan, a global economy of the 1980s, is exporting 11 per cent of its GDP. That means that, proportionately speaking, Canada exports four times more than the United States and Japan. Every Canadian citizen buys twice as many imports as an American citizen. That means that of all the developed economies on the planet, Canada has the most open economy—in exports and imports. That is why we need a strong rules-based WTO institution. Since we do not have the clout of the European Union or the United States, it is important that we develop rules that apply to all of the membership.

This is why a country like Canada remains so dedicated to putting the Doha Development Round back on track. We will use all the energy that we have to bring back the Doha Development Round because Canada needs it. Our farmers need agricultural discipline to fight punitive subsidies. And it will be a lot fairer for farmers on the rest of the planet, for the cotton farmers of Africa and for people all over the world. We absolutely need that.

But we do have to realize one thing: the elephant very often sounds threatening and there are a lot of people who are agonizing over the United States. There are 190 countries in the world that would love to be in Canada's position. Being neighbours of the United States is an extraordinary opportunity, because in that country you have a market of individuals who really like to consume and who very definitely like to buy our goods. Being next to the United States is a privilege. There is no better place to be on the planet.

Canada and the United States are each other's largest trading partner. For 38 of 50 U.S. states, Canada is the largest export market. We may sometimes think that we are insignificant to them, and it is true that in the United

States, they are very much centred on themselves. Margaret Atwood has a wonderful image; she says that the Canada-U.S. border is a bit like one of those see-through mirrors. We Canadians look at the mirror and we always see the United States. But when the United States look north at Canada, they see themselves. It is a good analogy, because Americans very often fail to see the difference between a Canadian and an American. Sometimes, that is good. Sometimes, it is challenging. But in any case, it is a reality that we have to deal with and consider. Every minute, $1.3 million of two-way trade in goods and services cross the border between Canada and the United States and you hear of very few problems. Of course, there are the softwood lumber and wheat difficulties, but all in all, it is an extraordinary trading relationship that works without difficulty more than 90 per cent of the time. That is what is important.

Trading with the United States is a privilege, of course, and it presents both challenges and opportunities. But the volume of trade is extremely important. We have a huge trade surplus with them—a $90-billion surplus. Sometimes people ask me, "Why aren't you tougher with the Americans? Why don't you link the issues? Why don't we penalize them with other exports?" First of all, try to persuade Canadian auto makers that we will no longer sell the Americans cars because they do not buy our softwood lumber, or explain to B.C. Hydro or Ralph Klein's Alberta that we will shut the energy sector in order to strengthen our hand in softwood lumber. It is very difficult. The problem is not that we are not being tough enough. We have six cases against the Americans before the courts right now, and that is pretty tough. But at the same time, as those of you who are in business know, the client always has the bigger end of the stick. When they do not want to buy, we have to do all kinds of dancing steps, one step forward and two steps backward and then start all over again. Then, one day, it ends up working. That is very much the way I see it.

I have six very important goals for the kind of Canada I want in the North America we are building, and I would like to share them with you.

The first goal is to increase our market share in the United States. Canada supplies about 19 per cent of U.S. imports, a trade weight well above our economic weight in the world. I believe we must improve on this. Last year, I challenged the Canada-U.S. Business Council to increase our share of U.S. imports to 20 or 21 per cent. I am not among those who believe that we are already exporting so much to the U.S. that we should not think of expanding further. We should actually make sure that we expand trade even further.

My second goal is to achieve greater flows of the two-way investments on which trade increasingly depends. Investment allows Canadian firms to be more productive, and along with elements such as university research as Paul Martin noted in his speech in Montreal last week, it will allow Canadian firms to be the most innovative in the world.

The third goal is to advance an agenda of smart regulations. I do not mind regulations as long as they are smart. In many areas, our countries have similar regulatory systems that work toward similar goals and produce similar results. Yet, each country often demands that products imported from the other go through costly testing procedures to meet domestic requirements. Let's broaden and deepen regulatory co-operation between our two countries by further cutting red tape and the regulatory hurdles to doing business with each other.

The fourth goal is to bring trade remedy practice more in line with the growing integration of our shared North American economic space. We have long held that in an integrated North American steel market, the use of trade remedies is counterproductive. The United States recognized this last year when it did not include Canada in its safeguard action on steel. In Washington, there is a certain openness to tackling concerns about trade remedies and I must commend my good friend and colleague, Mr. Zoellick, for having put trade remedies on the table at the WTO Doha Round of negotiations. Ideally, the United States would accept more discipline with respect to their domestic trade law, which is often in conflict with WTO rules and has led to long-term conflict over softwood lumber. Were the United States to signal a greater willingness to have their domestic trade law supplement the WTO, I suspect it would be easier for Canadians to accept deeper integration.

The fifth goal is to eliminate the border as an impediment to trade investment and business development. It must be a smart border. North American governments need to keep pace with the demands and expectations of businesses on both sides of the border that rely on just-in-time delivery and easy access to markets. We should examine ways to make further improvements in technical areas such as NAFTA rules of origin. In an era when trade in services is expanding, we need to further facilitate the travel of business professionals across the border. We know that our two countries have faced a number of challenges over the past few years, in particular those posed by security measures in the aftermath of September 11, 2001. We must unquestionably address the public security and homeland defence concerns that are now a daily preoccupation for the United States, precisely because our prosperity and common security are linked.

Finally, my sixth goal is to enhance our representation in the United States. Last week, I announced the opening of new consular offices, bringing Canada's total number of offices from 15 to 22. We have new consulates general in Denver and in Miami. Consulates will open in Anchorage, Houston, Phoenix, Philadelphia, Raleigh and San Diego. We will be appointing 20 honorary consuls in the next six months across the United States. These new offices and honorary consuls will help our efforts to advocate on behalf of Canadian industry in the United States, and to go beyond Washington to reach members of Congress and senators in their own regions. It is important that they hear what we have to say on their own turf. Washington is such a noisy city that it is very difficult to be heard there. Some people say, “Let’s have a delegation to Washington.” Well, thank you very much, but no. About 22 countries will be there at the same time. What we have to do is to make sure that the Canadian message is heard all over the United States. I can tell you that the senator who hears what we have to say from the person selling him his milk in the grocery shop has a lot more influence than a lobbyist in Washington.

The relationship between Canada and the U.S. has to involve more than just the prime minister and the president getting along and working well together. The president needs to hear from his senators and members of Congress. We have to reach more deeply into the United States. I am very proud that after years of hard work, we are finally able to open these posts in the next year.

The United States and Canada have built the best continent on the planet. We have built a North America full of opportunity, a prosperous North America—a continent where we have the highest level and highest quality of freedom and justice. This is an extraordinary achievement. We represent a light for the rest of the world and people are very excited by what we experience in North America. I see it as a great privilege.

But, despite all we share, we have differences in our political cultures. In Canada, our Constitution is based on “peace, order and good government.” Boring, but that is it. That means that we have Crown lands for softwood lumber. That means that we have a Wheat Board and supply management for orderly marketing. The Americans have "life, liberty and the pursuit of happiness." That is fine. It is quite exciting. We have the RCMP in the West with nice red serge uniforms—the third most recognized symbol on the planet after Mickey Mouse and Coca-Cola. Not bad for a country like ours. With their outlaws in the West, the U.S. built a whole cowboy and Indian industry in Hollywood. That is "life, liberty and the pursuit of happiness."

Those are two very different concepts of what a country should be in terms of political culture, and as International Trade Minister, I have to live with that. Americans do not understand Crown lands very well, but they do understand a lot better than they did before. I must tell you that Grant Aldonas (U.S. Under Secretary for International Trade) and Don Evans (U.S. Secretary of Commerce) have done the best possible job of trying to understand Crown lands and to realize what we are trying to do in Canada. We have made great progress on the softwood lumber issue in the last two years. It does not yet show for the industry, but I can tell you there is a better understanding in Washington and at the Commerce Department about how we manage our forestry resources than there has been in the last 25 years. A lot of the problem is based on these sorts of differences in political culture. I think that as North Americans, on both sides of the border, we have to accommodate one another's differences. I believe that it is very important that we make progress in that direction.

In light of Cancun, we are very privileged to be neighbours of the United States. We will see the United States becoming more active on the international scene. Some of you will say, "Minister, Zoellick is busy. Zoellick is identifying bilateral trade deals and the United States is becoming less confident in the Doha Development Round. It is going regional. It is going bilateral. What are you going to do?" Of course, we prefer the WTO. But you must realize one thing. Much of what the United States will be doing is playing catch-up. We already have a bilateral trade deal with Chile. Theirs will only begin on January 1, 2004. We already have a bilateral trade deal with Costa Rica. We are already negotiating with Central America. The United States will also be playing catch-up with the European Union, which signed about 30 or 34 bilateral trade deals, in the 1990s. Why? Because at that time, President Clinton, lacking the authority to promote trade, did not negotiate any trade agreements. You have to understand American diplomacy.

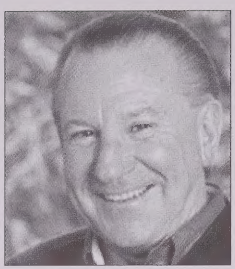
I know many critics will say, "Americans are turning their back on multilateralism." Well, what do you want? We could not get the momentum and impetus we wanted from the WTO Doha Round. This is a setback. In my view, we will succeed in starting the Doha Round again, because a lot of progress was made in Cancun. A lot of very valuable work was done there, but we were not able to seize the moment. We were not able to seize the opportunity, but look at the quality of the improvements that were achieved—Cancun was a lot better than Seattle, where things totally collapsed. In Cancun, following the Montreal mini-ministerial meeting that I hosted in July, we were successful in sending the European Union and the Americans back to the drawing board, and in getting an agreement on agriculture. We may find it lacked ambition and we may have wanted more in it. In Seattle, for example, the talks collapsed along east-west lines over agriculture because of a gap in ambitions, and along north-south lines over implementation and development issues. At least, in Cancun, the main difficulties were a lack of ambition on the part of the north and the south, or different kinds of ambitions in different places over the Singapore issues, such as trade facilitation and transparency in government procurement.

I want to let you know that I believe that Canada's negotiations will continue to be very active, both regionally in the Free Trade Area of the Americas and bilaterally with those who are interested in negotiating deals with us. We are very interested in deepening our relationship with the United States and the Mexicans in NAFTA.

Thank you.

The appreciation of the meeting was expressed by Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group.

Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group, Heather MacTaggart, Executive Director, Classroom Connections Inc., The Hon. Pierre S. Pettigrew, Minister for International Trade, Marketa Evans, PhD, Munk Centre for International Studies and Mark Romoff, President and CEO, Ontario Centres of Excellence Inc.



September 26, 2003

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Ernie Eves

Premier of Ontario

MY VISION FOR ONTARIO

Chairman: **Ravi Seethapathy**
President, The Canadian Club of Toronto

Head Table Guests

John Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada; Delores Lawrence, President and CEO, NHI Nursing and Homemakers Inc.; Monica Hinds, Recipient, Minds in Motion Bursary, Justin Eves Foundation for the Learning Disabled and Student, University of Toronto; Robert J. Dechert, Partner, Gowling LaFleur Henderson LLP and Past President, The Empire Club of Canada; Dr. Kevin Smith, President and CEO, St. Joseph's Health Care; Isabel Bassett, Chair, TVOntario and Past President, The Canadian Club of Toronto; Nan Grant, Special Education Teacher, Parkdale Collegiate Liaison, Justin Eves Foundation for the Learning Disabled; Blair McReadie, President, Ontario PC Party; Noella Milne, Partner, Borden Ladner Gervais LLP and Director, The Canadian Club of Toronto; and Rabbi Yisroel Janowski, Founding President, Ontario Association of Jewish Day Schools.

Introduction by Ravi Seethapathy

Elections are extraordinary things. They are, on the surface, the purest manifestation of democracy wherein issues and solutions are laid out before voters like a buffet spread. But there is a major difference, and that is one can only select a particular combo and not cherry pick individual items.

Our speaker today stands for a "combo package" he truly believes is relevant and important for the people of Ontario.

What is also sometimes less obvious about elections is the terrible pressure they place on party leaders. Campaigning tirelessly in the face of withering attacks from their opponents and questioning by the media, they take their message to schools, homes, the marketplace and factories.

Our speaker today is no stranger to meeting such challenges. By tackling fiscal deficits and improving economic competitiveness he has made Ontario the largest economic engine of Canada, despite 9/11, despite SARS, and despite the recent black-out.

All these achievements (and hardships) speak volumes about his character, vision, leadership and experience.

In the words of Robert Frost:

The woods are lovely dark and deep
But I have promises to keep,
And miles to go before I sleep
And miles to go before I sleep.

Ladies and gentlemen, please welcome to our podium today the Premier of Ontario, the Honourable Ernie Eves.

Ernie Eves

Well thank you. Good afternoon.

These two organizations have a long tradition of providing premiers and other leaders with a forum to discuss the day's most important issues and I appreciate this opportunity very much.

Before I begin, I'd like to extend our best wishes to the Jewish community on the eve of Roshashana and a healthy and happy new year.

Well we're getting down to the wire. Things have really started to heat up in the last three weeks. Everyone is working hard. I'm excited about our team. There have been some bumps in the road, but the early days have been great and I'm very pleased with what I've seen so far. There's still one looming question though. Will this be the year the Leafs win the Stanley Cup?

Many people ask me why I returned to public life and the reasons have never been clearer than the events of the last few weeks. I returned to public life because I believe this election is crucial to the future of the Province of Ontario. We have a million more people working today than were working in this province eight years ago. Our students are competing with the best and brightest around the world and they're winning. Six hundred and twenty thousand people have the dignity of a pay cheque every week instead of a welfare cheque. Ontario is truly a success story.

But as successful as we've been, we are at a crossroads in our province's history.

Both of my opponents in this election would like you to believe that you have to make a choice between tax cuts and services that we all need. I believe that is a false choice. Lower taxes are the key to providing the economic growth that is so essential to this province. It is this growth that creates jobs and keeps people working. It is this growth that gives government the financial ability to invest in state-of-the-art health care and world-class education.

Our strong economy has enabled us to invest almost $11 billion more a year in health care—an Ontario record of more than $28.3 billion this year alone. That means we have 21 new hospitals in the province. We're building the first new medical schools in the province in over 30 years with two campuses in Sudbury and Thunder Bay. We've hired almost 13,000 nurses and have promised to hire an additional 8,000 nurses. We've increased spaces in medical schools by 30 per cent and we're providing free tuition to physicians and nurses, who agree to locate in under-serviced areas of the province.

A strong economy also means that we can invest more money in education than ever before and we have built 383 new schools. We have increased our commitment to public education, and will continue that commitment by in excess of $2 billion over three years, which is more money than recommended by the Rozanski Report.

But let me make no mistake. High taxes would threaten all of this. Without a strong economy the services that you and I as Ontarians value most are at risk. We have come too far to turn back now and there is so much more yet to do.

A lot has been made lately in the media about which party can best manage the province's finances. Well I'm happy to be judged both on my record and our plan. We have balanced the books of the province four times in a row and we will meet the extraordinary challenges of this fiscal year. SARS, mad cow, West Nile virus, a North American blackout, and we will balance the books of this province for a fifth year in a row, the first time since 1908 that that has been done. We have cut taxes 225 times and we will continue to reduce the tax burden on people and on jobs. We have provided taxpayers with $16-billion worth of tax relief, which has stimulated our economy and has grown government revenue by almost $17 billion a year. Our economy has flourished. We have led the G-8 nations of the world every year for the last eight years. We have done well. But the job of keeping our economy strong and competitive will never be done. We will never see a day when we don't have to keep on working to keep Ontario strong. Frankly, the thought of deficits, tax hikes, and under-funded health care and education makes my hair curl.

I understand that Mr. McGuinty was here last week. Dalton has become a lot better when it comes to delivering a line. But what about when it comes to delivering a bottom line? Dalton has promised every single Ontarian (he's looked into the camera and into your living rooms every single night since this campaign started) that he will not raise your taxes. Make no mistake about it. Taxes will be higher under a Liberal-Dalton McGuinty government. But you don't have to take my word for it. Walter

Robinson of the Canadian Taxpayers Federation said: “It is very clear as defined under the law. What they are proposing on the personal income tax side is a tax increase. He says he is not going to raise personal income tax on working families when in fact he is.” The evidence is quite clear. The McGuinty Liberals will raise your taxes. There is no dispute about that. He just doesn’t want to tell you that before October 2. I will reduce them. With his plan he has served notice that he’s prepared to take the easy road—the road paved with higher taxes—rather than making tough decisions. And I can tell you that this is the road that will only make Ontario’s economy worse. We have seen it firsthand. We know from personal experience that you cut taxes to give the economy a boost. When you raise taxes you stifle economic growth and you kill jobs.

We have seen those kinds of governments in this province before from 1985 to 1995 under both the Liberal and the NDP governments. They both felt they could tax and spend their way to prosperity and instead they drove this great province into a deep and long recession.

You remember back to 1995? I will never forget the day I became finance minister of this province. The government was spending a million dollars an hour more than it was taking in in revenue. We had an unemployment rate in excess of 11 per cent. There were a disgraceful 1.3 million people on welfare in this province and we had an $11.3-billion deficit.

But, you know, a financial or fiscal deficit wasn’t all that we inherited in 1995. We inherited a deficit in our health-care system and in our education system. There were crumbling schools. Ten thousand hospital beds had been eliminated—the equivalent of 35 medium-size hospitals—but nobody had restructured the health-care system. Community-based health care was not even mentioned. And there hadn’t been a single long-term care bed built in this province in 10 years when we assumed office in 1995.

This is the wrong way to go ladies and gentlemen. It reminds me of something Winston Churchill said: "We contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handles." Well with all due respect, that's what Mr. McGuinty and Mr. Hampton are trying to do.

I know that only through lower taxes, by being competitive, and responsible management of our economy can we have a strong economy. Even Paul Martin seems to get it now. He recently, about a week ago, spoke at the Montreal Board of Trade and he confirmed that if you want to be competitive, if Canada's going to be competitive in today's economy, we have to lower taxes and we have to pay down debt. Mr. McGuinty and Mr. Chrétien are in the way of the past. They still believe in a forties and fifties mentality: you have to raise taxes to get more money. We have proven beyond any reasonable doubt in the last eight years that that is not the case. And if I haven't made it clear already let me make it clear again. I will cut your taxes to keep the economy strong.

We have to do that so we can continue to invest in high-quality health care and public education for our children so that we can keep people working in this province. We have to start on the next million jobs in the Province of Ontario.

Being premier of this great province is not an easy job. You don't get to pick and choose the issues that you want to deal with. They're presented to you every day. You have to do the heavy lifting yourself. I'm committed to finding further savings in government. We will find approximately one penny's worth of savings in every dollar the government spends each and every year. Making government work better and smarter is a tough job. It requires vigilance and determination. Being premier means dealing with all of the issues, not just the ones you want to talk about. Good and bad, easy and difficult. It's about taking the tough road, tackling the difficult issues, getting things done, not looking for ways it can't be done. Leadership is about standing up for people; not standing in their way. Leadership is backing up what you say and what you do; not backing off or backing down.

Mr. McGuinty has been quoted repeatedly this past week about how his numbers might have to change, how he might not be able to keep all of his promises after all. Has anybody told him this election is not over yet? I have spent my entire 22-year political career believing that if you care about something strongly enough, if you actually believe in what you're doing and what you're saying, you will find a way to get it done. That is why in this election I have chosen to embrace the difficult issues, to take on controversy, to tackle it head on, to stand up to unions, to pundits, regardless of how hard they may want to fight back. This job requires someone who can make tough difficult decisions every single day of the week; someone who shares your values, who shares your beliefs. I believe that you should be able to keep more of your own hard-earned money. It's your money. You earned it. You should be able to keep more of it.

I believe in equality of opportunity for every student in this great Province of Ontario no matter where in this province they happen to live. Every single student surely deserves the right to be funded equally and fairly regardless of where they live geographically, the economic circumstances of their parents, their ethnic background or their religious belief and we introduced fair funding into this province in 1998. Mr. McGuinty and Mr. Hampton and every single member of their parties voted against it. They do not believe that every student in this province should be treated fairly. You want to talk about two-tiered stuff. I don't believe in second-class students in the Province of Ontario. It has no place in my Ontario.

I believe that our students should be in the classroom every day of the school year; not just the first day of the school year. Our students should not be used as pawns in labour disputes between school boards and teachers' unions. I really don't care whose fault it is that the student isn't in the classroom; whether it is a teachers' union that decides to go out on strike or whether it is a school board that decides to lock teachers and 70,000 students out of the classroom as happened this spring in Toronto. At the end of the day haven't we lost sight of what's important in education? Students should come first in education.

I believe that we should reduce the property taxes that our seniors pay. We owe seniors in this province a tremendous debt of gratitude. They fought for this country in wartime. They have built this country in peacetime. Isabel and I had the opportunity to attend Juno Beach this year on the 59th anniversary of D-Day and to see those 4,000 veterans who fought for the freedoms and rights that you and I enjoy every day in the best province in the best country in the world. The very least we owe them is the ability to live out their later years in life with dignity and respect in their own homes. If I can make that happen I will and I'm not going to make any excuses for it.

I believe that Ontarians should be able to deduct some of the interest they pay on their mortgage from their provincial income taxes. Around this great Province of Ontario in the last few weeks, Isabel and I have had an opportunity to meet with many young families and they don't have large incomes. I can remember two families in particular we met in Hamilton a few weeks ago. One family: two children, both spouses working, combined income of less than $30,000 a year. Another family: combined income, same situation, less than $50,000 a year. Owning a home is a Canadian dream. If we can make that dream come true for so many thousands of young people and families across this great Province of Ontario, surely we have an obligation to do that.

I believe that Ontario's communities should be safe. People should be able to walk in their neighbourhoods or drive on their streets and be free from fear. Yesterday

Isabel and I had the occasion to attend a police officer's funeral. This is the fourth such funeral that I've had occasion to attend in about the last 10 months as premier of this great Province of Ontario. I say to my friends in the other two parties, when they don't think that this is an issue, when they don't think that we should be supportive of our law enforcement officers all across this great province, whether they belong to the OPP or many of the excellent municipal forces we have, these people put their lives on the line every single day when they get up to go to work. I think it's about time we as a society gave them the respect that they deserve; not just at election time because it's convenient.

As your premier, I will fight each and every day for your values and your beliefs because they are beliefs that we share. They are beliefs that I hold dearly as a father, as a citizen and as the premier of this great province. I have said it before and I will say it again. We have come too far to turn back now. This is what is at stake. Do we fight for what we have worked so hard to accomplish, all Ontarians, over the last eight years or do we let it all slip away? I am determined to fight for the gains that we have made, the things that we value most in society. We've come a long way on the road to a better Ontario but there is so much more yet to do. As premier, I will continue to reduce taxes on people and on jobs, to keep our economy strong. We need a strong economy to create jobs for our young people, to provide health care for our families and give opportunities to our children. I will put students first in our education system. I will ban teacher strikes, lockouts and work-to-rule campaigns from the classroom. I will give homeowners a break on the mortgage interest they pay. I will give seniors the respect and dignity they deserve by reducing their property taxes.

My friends, we live in the best province in the best country in the world. Ontario is on the verge of even greater success, where every individual has the opportunity to be the best that they can be to fulfill their potential in life. An Ontario where no one is left behind.

I would be honoured to be your premier as together we meet the challenges of tomorrow on the road ahead. Thank you for coming this afternoon.

The appreciation of the meeting was expressed by John Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.

Mr. Premier, distinguished Past Presidents, members and guests of both clubs, this is the sixth time that the Premier has addressed a joint meeting of our clubs. On the first five occasions it was in his prior capacity as Minister of Finance for the province.

There are two interwoven themes that form the cloth of each of those five earlier addresses, and those themes are evident again today.

The first theme is the focus on our common social fabric, our commitment to the larger community, and the obligation we all have to help and support fellow Ontarians who are not as fortunate as ourselves. In the words of Premier Eves, "to ensure that no one is left behind."

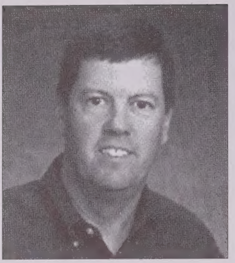
In his addresses as Minister of Finance, Mr. Eves did not speak of macro-economic gobbledy-goop, although he does understand it rather well; instead his speeches were littered with phrases like "major new commitments to children and families," "breaking the cycle of dependency," "removing barriers for people with disabilities," "project for the learning disabled," and "protection for children at risk."

Today is no different. Today Premier Eves has spoken to us about "respecting seniors," "assisting home-owners," "the dignity of work," "building new schools and hospitals," and "equal access to education."

The second theme is his commitment to the economy. Not the economy for its own sake, but because compassion without the ability to help is hollow comfort to those in need. As Margaret Thatcher so eloquently said a decade ago: "The good Samaritan must first earn the means to be generous."

There is a compassionate conservative in North America, and we have been blessed to have him as Premier of this province, and to have him speak to us today.

On behalf of all of us, thank-you Mr. Premier.



October 1, 2003

Scott McNealy

President and CEO, Sun Microsystems Inc.

HOW TECHNOLOGY IS CHANGING THE WAY WE DO BUSINESS

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Diane Francis, Editor-at-Large, National Post and Director, The Empire Club of Canada; Hanchu Chen, Grade 11 Student, North Toronto Collegiate Institute; Rabbi Perry Cohen, Facilitator, Teacher and Author; Manuel Pietra, President and CEO, The Descartes Systems Group Inc.; Robert L. Brooks, Senior Executive Vice-President, Treasury and Operations, Scotiabank and Past President, The Empire Club of Canada; Eugene V. Polistuk, Chairman and CEO, Celestica; Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; Stephen Boisvert, President, Sun Microsystems Canada; Colleen Moorehead, CEO, E*TRADE Canada; and Steve Mahon, National Sales Manager, GE Access Canada.

Introduction by John Koopman

Reverend Sir, distinguished head table guests, past presidents, members and guests of the Empire Club of Canada, welcome to our luncheon.

In 1530 a Polish astronomer named Copernicus wrote a treatise entitled "On the Revolutions of the Celestial Orbs," which suggested that the earth might revolve around the sun. Copernicus was excommunicated for his heresy and he died a sad man. But he never doubted the veracity of his work.

In that terrible month of May 1940, when the bulk of the British Army was trapped on the beaches of Dunkirk, when it appeared that American Ambassador Joseph Kennedy might be successful in his bid to keep the United States out of the war, when England truly stood alone, when there was great pressure even within England for a negotiated settlement with Nazi Germany, Churchill never wavered in his belief in the ultimate triumph of the Britannic cause.

As Copernicus was to science and Churchill was to statecraft, Mr. McNealy is to the hi-tech world, because he is also quite sure of something. For the last 20 years there has been no one in the mercurial, volatile, capricious, and fickle hi-tech world who has had as consistent a message as Mr. McNealy.

For two decades he has been saying simply: "The network is the computer." Your laptop device is just a keyboard that accesses a network. Your programs and data are stored centrally. You can go to a phone anywhere in the world and make a phone call. In Mr. McNealy's world you will be able to go to a keyboard anywhere in the world and have access to your data and do your work.

Copernicus and Churchill had it easy. Predicting the development of the hi-tech world, where there are so many unknowns, is an extremely perilous exercise.

In 1943 Tom Watson, the Chairman of IBM, said: "I think in the world there may be a market for five computers."

Steve Jobs and Wozniak went to Hewlett Packard with their first primitive computer. HP said: "Hey, we don't need you; you haven't finished college yet." Xerox did not understand the value of the GUI interface and essentially gave it away to Steve Jobs at Apple.

IBM single-handedly created Microsoft when it failed to grasp the value of the operating system.

Apple could have been the leading PC manufacturer today if John Scully had not made the nearly fatal mistake of failing to open up the Apple operating system.

Bill Gates and Microsoft missed the significance of the Internet. Mr. McNealy is recognized as one of the four horsemen of the Internet, not Bill Gates.

Tom Watson, John Scully and Bill Gates have all revised their opinions. Copernicus and Churchill never wavered, nor has Mr. McNealy.

In Mr. McNealy's world Microsoft's vision of the desktop PC as the centre of the computing paradigm has no place. Bill Gates and Microsoft are accordingly not fond of Mr. McNealy's vision. In Sun's battle with Redmond, its fortunes have been up and they have been down. Just a few months ago the magazine Wired ran an aggressive storey entitled "McNealy's Last Stand." But there are an ebb and a flow to every good battle, and smart money does not bet against Mr. Scott McNealy.

As for Mr. McNealy's provocative opinion about the future of the industry, Churchill once said: "You have enemies? Good. That means you have stood up for something, sometime in your life."

Mr. McNealy obtained an MBA from Stanford. In 1982 Mr. McNealy co-founded Sun, which is an acronym for Stanford University Networks. This makes Mr. McNealy that rarest of ducks—an MBA who has actually created something. "Sixty Minutes" has called him one of the most influential businessmen in America.

Ladies and gentlemen, please join me in welcoming Mr. Scott McNealy, the Chairman and Chief Executive Officer of Sun Microsystems, to the podium of the Empire Club of Canada.

Scott McNealy

Thank you John. Rabbi Cohen, all the distinguished guests, it is great to be here. It's always fun to get hold of a microphone on national TV and actually have my stuff show up on a Web site forever, so I'm pretty excited about this. It makes me nervous, not about speaking but what I might say.

There is a lot to talk about and I tried to jot down a few topics. I have lots of enemies because I have a lot of attitudes and perspectives. I thought I would talk about a list of subjects. I'll race through them and maybe if we have time for a question-and-answer session, I'd love to do that. If not, you can always send me e-mail. Everybody else does.

There are elections, hockey, corporate governance, the economy, monetary policy, computer battles and privacy. Those are all interesting topics that I thought I could touch on.

First of all with respect to elections I guess you are having one tomorrow. We've got some candidates from California we would be happy to donate if you're short.

With respect to hockey, we are a little bummed out. You took Owen Nolan from us. Go Sharks. They're coming back this year.

I think John actually fairly represented my perspective and that is I don't want to walk across the beach and not make footprints. That's just not fun. It's kind of boring. I don't enjoy controversy. I just think controversy is necessary in a market economy. I think you need to have winners and losers. You need to have people taking different perspectives. I don't believe you can make money, which is a wonderful by-product of a market economy of a capitalist society, without having a controversial strategy because if your strategy is not controversial everybody will do it. If everybody agrees it is the right thing to do, everybody will do it and then you will have no differentiation. It is kind of like going to a job interview and being asked why you should be hired and you say that you can breathe. That's just not going to get you the job. You have to have a differentiated strategy that will give you some pricing power out there.

I named my first kid Maverick to give you an idea of where I come from. In case you're wondering, Dakota, Colt and Scout were the other ones. They're all cars from Detroit and kind of western weird.

Our view is that you have got to have a controversial strategy. The real hard part of the controversial strategy is being correct. It is easy being controversial. If you don't get that part right then you have a big problem. Our strategy has always been controversial. It's probably as controversial now as it has ever been, but we think basic fundamentals around open interfaces like sharing are critical and that's what we are doing. We think that we will continue to win—the network computing model, everything connected to the network in the utility model, as John happily described. You don't put a nuclear power plant in everybody's home. That's not a good idea. And you don't put a super-user personal mainframe in every user's control unless you want viruses in administration and all those other things.

The other piece that we believe in is innovation. I love it when people use the word commodity about the technology industry because that's conventional wisdom. They talk about the commoditization of technology. I love it when people say that. It makes me feel good that we're investing 15 per cent of sales in R&D and inventing new next-generation network computing technologies. People will say: "Don't even bother, don't try, we're commoditizing all this stuff."

Coca Cola is a commodity. They introduced new Coke a while back. Remember that one. It didn't work so they went back and re-introduced Coca Cola Classic. Can you imagine: "I don't like my new UltraSpark 3 computer. I think I'll go back and re-introduce UltraSpark 2." It doesn't work like that. Can you imagine a 10-year-old computer? Would you go out and buy a 10-year-old computer? Think about how quickly we are evolving and innovating.

Let me talk about a couple of issues that are really grinding on me and will probably get me into a lot of trouble. Corporate governance is one. There are a lot of fashion statements going on and right now CEOs are not in fashion. They were a few years back but they didn't deserve the celebrity status they got then and they certainly don't deserve the corporate governance nightmares that we have going on right now.

There are two key issues. Sarbanes-Oxley is one of the most damaging buckets of sand in the gears of the market economy that we've ever voted 98 to nothing on in Washington. This basically is your full body strip search of every company, whether or not there is any suspicion of wrongdoing. The amount of "turtling" as I call it—just going into a shell and getting conservative; not taking the risks and doing what the dynamic market economy needs—that's going on in corporate America and wherever else we touch is unbelievable. It is a disaster. You'll never be able to identify the cost of that particular piece of legislation and I challenge anybody to tell me that the Securities Exchange Commission (SEC) filings and the annual report and income statement are any more clear, trustworthy, transparent or useful now than they were a year and a half ago before we all started spending five to 10 million dollars minimum each, as public companies, to complete these documents. It is a disaster and I can't believe shareholders haven't gone nuts. This is an accounting full employment act backed by the lawyers and supported by the judges.

I don't know why anybody would join a board of directors any more. If you have made money, if you are smart or both, you would not join a board and you certainly wouldn't join an audit committee. I think the level of corporate governance is going to plummet as all the smart accomplished and wealthy folks don't go on boards. I don't think that is a good thing. I don't think that will improve corporate governance.

The next statement on corporate governance that I would like to make is that the Financial Accounting Standards Board (FASB), SEC and accountants have gone absolutely whacko on us. I'm a Stanford MBA and I went to most of my classes, including the accounting courses. I can't read annual reports, income statements and SEC filings any more. They are absolutely undecipherable. General Electric (GE) is doing one of the most wonderful jobs of trying to put its reports in English but try reading the GE reports. And they're doing better than anybody I can think of out there. Just try and understand them.

What we need to do is to move way from the FASB world and move back to cash accounting. Everybody in this room can read a cheque book. Everybody can read what cheques were written and what cheques were received, what the bank accounts are for a company and what their future cash obligations will be (both in and out) over the next 40 years. If we lay that all out with strict cash accounting and let the analysts do the analyzing and the investors do the guessing and stop putting the CEOs and the accountants in charge of making judgments we'd all be a lot better off.

I spend all day trying to close the books and making judgments on whether we should've written up or down our tax credit asset on our books. I then have to decide how much to depreciate versus expense and then I have to decide how much to put on the books as an asset versus reserve. I have to decide how long to depreciate and what the book values of different things are. That is the amount of judgment that the CEO is forced to make on the books and then we get threatened with handcuffs when we make a wrong judgment. It creates an immense amount of "turtling" in our corporate and industrial boardrooms around the world. I think that's bad for the economy.

Cash accounting. Let the investors and analysts do the work. Don't make the CEO guess. I don't hear people talking about that, but again it doesn't take a lot of audit expertise to audit how much you have in the chequing account and to verify that contracts are accurately reflected in the reports in terms of cash commitments out and in for a company.

Instead of making reserves on receivables and saying I want to put on a reserve of 3 per cent, I'd much rather publish how many receivables I have that are 30 days or less, 45 days, 60 days. I'd like to publish the names of every company that owes me money over 90 days. That would be way more information for the investor about who's not paying and what my chances are of collecting, than some random 2 per cent reserve that I put on my receivables and I take all judgment away from me and put that judgment in the hands of the investor who has to take personal responsibility.

Speaking of personal investor responsibility, how many people who invested in Enron actually read all of their annual reports and SEC filings? How many do you think? Of those who did read them how many understood them? Of all of those folks, how many do you feel sorry for?

The other thing is we don't need any more regulation. We just need law enforcement. The laws are all there. If you do fraud you go to jail. The real mistake here was not that crooks will be crooks because crooks will always be crooks. It is that the law enforcement didn't step in before the politicians overregulated and that's a real tragedy.

Now the reason why I think we need to keep the market economy dynamic is because of what's going on with our economy—and technology is to blame. Technology has absolutely changed productivity. I had a conversation with Alan Greenspan a long time ago. Have you noticed the amazing GDP growth we've had in all of these economies with no inflation and rising unemployment? Information technology through distance learning and the pricing power that the Internet puts in the hands of the user is unbelievable. The shrinking of the supply chain, the auditing and the instantaneous response means we don't forecast any more. We respond to what has happened in the last six hours. That is how businesses are run today because of the speed and the power of the networks. We are now able to use information technology—digitizing, automating, and remote controlling.

One great example was the 35 or 45 thousand piano players who were in front of the silent movie theatres playing piano. One day they figured out how to put sound on the film and all we needed was one piano player.

That kind of transformation should and will eventually, if the government doesn't get in the way, happen everywhere in massive and wonderful ways. And it is a good thing. This unemployment thing is a good thing, because these people have brains and we can apply them to all of the things that do need to be done as opposed to make-work jobs.

In Sacramento they have somebody sitting on a chair pushing the Otis elevator buttons. That's for full employment and it is a huge waste of a brain—an absolute huge waste of a brain. We need to move people out of these jobs that can be automated and remote-controlled and move them into actual value-add jobs.

I tried to explain to Greenspan that the issue was not fighting inflation but rather making sure we have the dynamics of this new economy in place. If you notice what's happened to monetary policy right now, he is pulling all these levers and nothing works. It doesn't help because the other problem is we have kind of lost national monetary policy sovereignty. The world economy and the global markets have all fused into one. In the old days you used to have kind of physical country border moats around your monetary policy. Nowadays the water just runs wherever and you try and splash it out of your area and it just kind of rushes in from all 12 corners of your borders.

The job just doesn't matter like it used to. It will be less of an issue. Japan's interest rates have run at zero or 1 per cent forever and it hasn't changed anything over there. It now has to do more with regulation and social economic policy than fiscal or monetary policy. I think the politicians need to start taking a different look at what makes economies work. The old dials and knobs don't work like they used to.

Another topic is privacy and this is one that with technology always gets everybody all bent out of shape. I have some fairly strong opinions on privacy and how our technology is impacting it. The biggest issue everybody states is that they are worried about their privacy. I would imagine Canada is somewhere between Europe and the U.S. The U.S. doesn't worry about it as much and doesn't regulate it as much. Europe is paranoid and absolutely scared to death of its government. It is more scared to death of its government than it is of the bad guys it seems. People say: “Isn’t it scary to have my information electronic or digitized?”

I have made this statement many times and it keeps getting reported so I am going to live with this one until I die. You have no privacy. Get over it. You have never had privacy. Privacy is a thing about anonymity versus appropriate availability of your personal information. I have a belief that anonymity breeds irresponsibility. Absolute anonymity breeds irresponsibility almost for sure.

I challenged an audience a while back. Imagine you could spend the next three weeks invisible. You might, unless you’re a very disciplined person, live your life a little differently for those three weeks. Stop thinking about it. But when you get that anonymity you are not necessarily going to live the same as if there were repercussions or consequences to your actions.

I think the physical world has just as much if not more opportunities to be anonymous and it is actually harder to protect yourself against anonymous invisible activities than it is in the virtual world. In the virtual world you can encrypt everything. Compare mail and e-mail. My mailbox is 3,000 miles away on a publicly available street in a tin box with a tin door. I take 8.5 in. by 11 in. sheets of paper in English, unencrypted, fold them up and put them in a paper-thin envelope, seal it with spit and give it to the U.S. government. It has a ship-to and a ship-from address right on the front and it goes anywhere. It is sitting there and there’s no surveillance, no monitoring, no encryption, no audit trail. Look at the challenge they had trying to track down the person who put Anthrax in the envelope. They haven’t tracked that person down yet. It is a fairly anonymous way of doing it.

You can’t get at my e-mail box unless you have my job card, know my password, know where to go, how to get through firewalls and how to get around the sniffers and snoopers and all the rest of it in the audit trail. It is very difficult to do. If you are smart enough to be able to do that you can probably make more money doing something useful than reading my e-mails. There are enough deterrents in that. By the way if it is encrypted, if you can crack the code, the National Security Agency will pay you way more than you can believe.

The opportunity to go on-line creates nice audit trails. You have no privacy. Somebody has your medical records; somebody has your financial records. All of those places exist. All of those documents exist probably in a file cabinet unencrypted, unlocked, and have you ever noticed the security in a hospital? Put on a doctor's gown and a mask and you can go anywhere. Do you think your medical records are safe? Unfortunately your medical records if they are not on-line are not available to you when you need them in an emergency.

Your cell phone has an answering machine. Remember the old days when you had an answering machine. You would always keep it at home because you wanted those private. Do you really think people want to listen to your answering machine messages? Think about it. Now that you have a cell phone a corporation handles your messages. It is appropriate handling though. I think it was absolutely appropriate that the day after 9/11 there were 12 FBI agents in the Sabre airline reservation system seeing where everyone of us travelled on the airplane. That was not an invasion of privacy. If we didn't have those audit trails and those electronic records we couldn't have tracked folks down. So I think privacy is a big issue.

I will spend two minutes on the computer industry and then turn it over to John. The world is changing. Every data centre on the planet is unique. Walk into your data centre and then try and find one anywhere else on the planet that's like yours. They are unique custom jalopies. There are 10 times too many employees in our industry charging 10 times too much revenue for the current computing power.

Imagine if everybody who flew on an airplane built their own custom airplane out of spare parts and multi-vendor components and assembled them in a hangar at home in their spare time and said: "Hey, do you want to fly to Chicago with me?" That's what we've done. Can you imagine no two airplanes being alike? That is what we've done in the data centres. The world is going to move away from making its own custom airplanes. Right now they are asking IBM to come in and pay them a bunch of cash. They say: "IBM, buy my hangar, buy my custom jalopy airplanes and buy all my mechanics and FAA crash analysts." IBM makes its money back in years three to 10 of their contract by buying complete airplanes. We are driving the industry to eventually just renting a seat on the airplane. You do that every time you get in your browser, get out of your company firewall, go out onto the Internet and use gift-wrapped software available on a Web site from eBay or Amazon or Salesforce.com or E*TRADE or whatever.

That's the way the world's going to work. You are going to stop buying software. You are going to use it. You are going to stop buying computers. You're going to use them in the same way you don't buy telephone switches and nuclear power plants and you don't operate the Hoover Dam. My boys are going to grow up someday and say: "Daddy, did you really own a computer?" Did you have a well in the back yard? How old are you Daddy?" So stay tuned.

Sun is actually very well-positioned for that new world. Much better positioned than General and Motors which is what I call Intel and Microsoft and very different from IBM which is a company of mechanics. So there you have it—a quick synopsis of the computer industry.

John said I have a lot of enemies but I have a lot of friends too. Thank you all.

The appreciation of the meeting was expressed by Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada.

Scott McNealy, President and CEO, Sun Microsystems Inc. and John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.

October 7, 2003

Dr. Walther Leisler Kiep

Chairman Emeritus, Atlantik Brücke

WHAT IS THE REAL ECONOMIC AND POLITICAL SITUATION IN GERMANY TODAY?

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Kumiko Mackasey, Grade 12 Student, North Toronto Collegiate Institute; The Reverend Vic Reigel, Christ Church, Brampton; Eckart von Klaeden, Member of the German Bundestag, Minority Whip, Berlin; Dr. Beate Lindemann, Executive Vice-Chairman, Atlantik Brücke, Berlin; Dr. Klaus Rupprecht, German Consul General, Toronto; William G. Whittaker, QC, Partner, Lette Whittaker and 2nd Vice-President, The Empire Club of Canada; The Hon. Peter Stollery, Senate of Canada; Christian Lange, Member of the German Bundestag and Member of The Committee of Economy and Labour, Berlin; Dr. Albert Maringer, President and CEO, Siemens Group Canada, and Chairman, Canadian-German Chamber of Industry and Commerce; and Uwe Harnack, President and CEO, Canadian-German Chamber of Industry and Commerce.

Introduction by John Koopman

When baby-boomers like myself think of Germany, we generally think of two truths—both of which have recently come under challenge.

The first challenged truth is the power of the post-war German economy. My generation has always known Germany as the economic motor of Europe.

The Germany economy was devastated in the Second Great War. Its renaissance can be attributed to inspired public policy on both sides of the Atlantic. In the United States it manifested itself in the Marshall Plan and in Germany under Minister of Finance, and later Chancellor, Ludwig Erhard in the rapid elimination of price controls. Good public policy was married with the post-war industriousness of the German people who buried themselves in work in order to build a better future, and perhaps in part to take their minds off the past.

However the vaunted post-war German work ethic seems to be fading. The average German now works 1,450 hours per year, while the average American about 1,850. Germany faces an aging population and massive un-funded pension obligations. Onerous tax burdens have stifled foreign investment and some western commentators describe the German economy as sclerotic and awash in over-regulation.

Recent headlines in the Globe and Mail and the National Post read:

"Germany breaks EU Deficit Limit"

"Over 4 million jobless in Germany"

"Germany faces Shrinking Cities"

Yesterday's Post ran a story suggesting that Chancellor Schroder might not survive an imminent parliamentary vote as left-wing rebels were defying his pro-business reforms.

Frankly I do not know how seriously I should take these issues and am looking forward to Dr. Kiep's comments on the German economic situation.

The second truth under pressure is what Dr. Kiep in his many publications has called Germany's "unwritten second constitution." That is good German-American relations. These good relations date back to Konrad Adenauer who chose resolutely western-looking Bonn as his provisional capital and tied Germany firmly into the Atlantic orbit. In fact Adenauer never liked Berlin very much, he did not visit it until a year after his election, and when discussion turned to Berlin he was known to mutter: "Asia...Asia."

There was a time when German support for American foreign policy could be taken for granted. No more. In a shock to many of us, Chancellor Schroder won the last election on a campaign that focused on rejection of American policy in Iraq.

The Atlantic Bridge is an organization dedicated to building close relationships between Germany and the United States. Dr. Kiep was appointed President of the Atlantic Bridge in 1984 and recently Chairman Emeritus.

Lady Thatcher addressed the Atlantic Bridge at a conference just four months ago. As you might expect from Lady Thatcher, she noted that bridges need to be defended and recalled Horatius's defence of a narrow bridge over the Tiber in McAulay's "Lays of Ancient Rome." McAulay wrote:

In yon strait path a thousand
May well be stopped by three
Now who will stand on either hand
And keep the bridge with me?

Dr. Kiep has been keeping and defending that bridge, that link across the Atlantic, throughout his career.

Dr. Kiep has been a central cog in the workings of German power for decades. He is a former special envoy for Chancellor Helmut Schmidt, and a former special emissary for Chancellor Helmut Kohl. For 21 years he was the Treasurer of the CDU. Many of you may also know him as the Chairman of the International Advisory Board of Marsh & McLennan. He may pithily be described as the James Baker of German politics.

We are looking forward to hearing his insider's view of the current economic and political situation in Germany.

Ladies and gentlemen, please join me in welcoming Dr. Walther Leisler Kiep to the podium of the Empire Club of Canada.

Walther Leisler Kiep

Thank you very much for this wonderful introduction on the occasion of the meeting of the Empire Club. I'm greatly flattered by your statement and the brief CV of me that you cited of course adds to my pleasure. I only wish my parents were here to hear it because I'm sure that my father would have liked everything you said and my mother would have believed every word you spoke.

It is indeed a great, great pleasure to be back in Toronto. I did spend time here and had the great pleasure and honour to serve on the board of the Bank of Montreal for eight years and got to know Canada and Toronto very well. It is wonderful to be back with a German parliamentary delegation visiting the Province of Ontario.

You have mentioned the economic conditions in Germany and you have voiced a certain disappointment with the performance of the German economy. I think the German economy is performing quite well. Many of our problems arise from an over-bureaucratization, too many rules and also a very great difficulty in getting the people to understand that the reunification of Germany has required financial transfers of an unprecedented size every year. Fifty billion marks and now euros go to the East to create an infrastructure to solve problems and yet we have a long, long way to go until this is all over. But we find ourselves, as I stand here, in the middle of a very, very radical reform of conditions in Germany. We will be witnessing in the coming months, successfully we hope, the biggest economic and social reforms that the country has undertaken after its foundation in 1949.

We do remember the help and the support that we got from all of our western friends, and particularly also from Canada after World War Two. Canadians were stationed in Germany for a long time after the war and their departure was a sad moment. In the villages in the Black Forest where the Canadian Royal Air Force was stationed, some people hung black flags to convey their sorrow about the Canadians leaving.

Unfortunately, we did not have a chance to enjoy the greatest triumph of our alliance and I'm speaking of the end of the Cold War, I'm speaking of the unification of Germany and I'm speaking of the liberalization of Eastern Europe, where countries are now becoming member states of the European Union. Too many people felt that, as the Cold War was over and the Soviet Union had disappeared, we would have a simple world and I recall the book by a famous American author who said, "The end of history has come."

The peace dividend that we enjoyed in the years of the nineties was used and spent and today we find ourselves in the midst of very, very difficult reforms which require our people to give sacrifices in order to re-create the growing economy and create new jobs to regain the competitiveness that made Germany what it was and I'm confident that we will succeed.

On the other hand, we're faced with a problem, which all of you share with us, and that is that on 9/11 an event took place which changed the world. America suddenly was at war and this fact, I think, must be understood by everybody in Europe although for Europeans the events were perhaps not as dramatic as they were for the people on the spot who saw the terrible attack and its consequences.

Today we are faced with three or four crisis centres. We have a problem in Iraq. We are trying to build a nation in Afghanistan. We are far from a peaceful settlement between the Palestinians and the Israelis. Iran has become a problem with its endeavour to become a nuclear power and, last but not least, North Korea is on the same track and poses a tremendous threat.

Some positive developments can be reported. NATO has taken over the military presence in Afghanistan with a very substantial German contribution. We are seeing developments in the third world that give us a certain amount of promise of improved relations. But on the other hand we need everybody in Europe and all our resources to cope with the situation in Iraq, where we must create security, a state, a nation and a functioning democracy.

We have had debates over the Iraq war. I think these debates should be over, should be finished, because what we now need is a common energetic activity of the NATO countries of Europe, the United States of America and Canada to solve the problems that lie ahead.

The United States of America will work with its allies but only if its allies agree to the goals of the United States. The United Nations are to be included and will be used and employed if they are in agreement with the ultimate goals of America.

This is a difficult situation and a fundamental change from the role America played after 1945 until recently. The United States of America created the United Nations with the monopoly of power vested in a Security Council. The United States of America created a globalized world and made the world trade free and accessible for everybody. Americans tried war criminals both in Japan and Germany and opened the opportunity to create an international criminal court where politicians who had committed such crimes against humanity could be punished and could be prosecuted. All of these institutions that have been with us for such a long time are now in question, because the United States of America feels that it must be, as the strongest power on earth, in charge and others should follow.

We are stating this with regret, with concern and with sorrow, but I am personally convinced that the American government and the American president after the beginning of the involvement in the Middle East will perhaps reconsider and return to the very successful multilateral policy that American embarked upon after World War Two which made the reconstruction possible and which created a military contingency in the form of NATO that finally won the conflict against the Soviet Union in the Cold War without a shot being fired. This tremendous success, this victory of freedom over dictatorship, is the basis upon which we should continue to deal with the crises that face us. I think it is high time that we put aside the questions that divide us and concentrate on the very, very successful deeds that unite us. I'm personally convinced that in the United States the people of America understand that their allies are there and that their allies are doing what they can. For my country, I can say that we have over 12,000 soldiers serving in the Balkans and Afghanistan and we are doing additional things like economic support, the training of policemen and the training of soldiers for the newly emerging nations like Afghanistan.

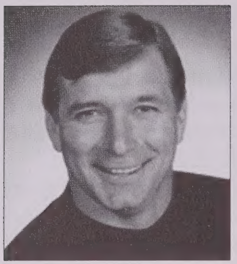
Therefore I am not pessimistic. I think we have a wonderful opportunity to cope with these problems and create a better world. Franklin Roosevelt, a very, very famous president of the United States, in a great crisis of his country back in 1933 made a statement in which he said: “Americans of this generation have a rendezvous with destiny.”

I think I could rephrase this and could say that Europeans, Americans and the majority of mankind have a rendezvous with destiny and only together will we be able to come to a solution that secures peace and prosperity and allows people to live the way they want to and to pursue what the American Constitution guarantees each citizen—the pursuit of happiness.

I thank you for having given me the opportunity to say a few words. The time I was told is limited and I want to thank you very much for your attention, for your presence, and I express on behalf of the German delegation our friendship and our best wishes for a happy successful and peaceful future for our friends in Canada.

Thank you.

The appreciation of the meeting was expressed by Dr. Albert Maringer, President and CEO, Siemens Group Canada, and Chairman, Canadian-German Chamber of Industry and Commerce.



October 22, 2003

Rick Hansen

Founder, President and CEO, Rick Hansen Man in Motion Foundation

NEVER GIVE UP ON YOUR DREAMS

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Associate, Carmichael Birrell & Co. and Director, The Empire Club of Canada; Mike Saevitzon, Grade 12 Student, North Toronto Collegiate Institute; Holly Noon, Grade 7 Student, representing the Bloorview MacMillan Children's Centre; The Reverend Dennis Dolloff, Rector, Church of our Saviour, Don Mills; Heather Reuber, Hons. BAS MPA CHE, Director of Operations, The Lyndhurst Centre, Toronto Rehab Institute; Jack Tomik, President, CanWest Global Communications; The Hon. William G. Davis, PC CC QC, Counsel, Torys LLP and Honorary Solicitor, The Empire Club of Canada; Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada; Steve Smylie, Director, Ontario Wheelchair Sports Association; Richard I. Wade, Professor, School of Hospitality and Tourism Management, Ryerson University; and Robert W. Chisholm, Vice-Chairman, Domestic Banking, Scotiabank.

Introduction by John Koopman

It is said that necessity is the mother of invention, and sadly perhaps man needs adversity to turn obstacles into opportunities. A little over 30 years ago Mr. Hansen ran into some adversity.

He was injured in a motor vehicle accident that left him, at the age of 15, without the use of his legs. Mr. Hansen did not ask for a lighter burden, but rather broader shoulders.

However, to paraphrase Henley's "Invictus": "In the fell clutch of circumstance Mr. Hansen neither winced nor cried aloud, under the bludgeoning of chance, his head is bloody but unbowed."

He became an elite wheelchair athlete winning 19 wheelchair marathons and three world championships.

Eighteen years ago, wanting to make a difference for others, he started wheeling around the world in the Man in Motion Tour. Two years and two months later, 40,000 kilometres later, 10,000,000 wheelchair strokes later, four robberies later, 126 flat tyres later, one crowd of 800,000 Chinese in Tianjin, China later, he finished—the only person, I believe, to have ever done so. This tour raised $26 million for spinal cord research.

Mr. Hansen's efforts did not end with the Man in Motion Tour. He has earlier this year kicked off what will hopefully become the annual Wheels in Motion tour.

His efforts, directly and indirectly, have led to the raising of over $150 million for spinal cord research. This is not for himself.

Mr. Hansen has said: "I don't want people to think I'm supporting spinal cord research so that I can walk again. I made my peace a long time ago and I wouldn't trade my life for the use of my legs. It is not about walking. It took me some time to figure that out but I am here. I feel like I am one of the luckiest guys on the planet."

Nevertheless Mr. Hansen must sometimes have felt like the late Mother Theresa who was known to muse: "I know God will not give me anything I can't handle. I just wish God did not trust me so much."

Agnes DeMille exhorted us all to "dance with the body we have."

Please join me in welcoming a great Canadian dancer, Mr. Rick Hansen, to the podium of the Empire Club of Canada.

Rick Hansen

Thanks very much ladies and gentlemen. It's an honour and a pleasure for me to be here speaking at the Empire Club. It truly is a prestigious group that I am joining and I appreciate it. Thank you for this opportunity.

I'd like to say a special thank you to all of you for taking time out of your busy schedules to join with me to talk about an important topic: spinal cord injury.

The Story

As a youngster, growing up in rural British Columbia, I thought I had the whole world by the tail. I knew where I was going and how to get there. I was an all-star athlete. My whole life revolved around physical activity and the use of my legs. And then, one day when I was hitchhiking home from a fishing trip, I climbed into the back of a pickup truck with my buddy. The driver went around the corner and crashed his vehicle. The force of the crash propelled me to the ground and the vehicle rolled on top of me, pressing my back against the corner of a steel toolbox. My back was snapped like a twig.

It was pretty devastating when I awoke about a minute later trying to move and discovering my legs weren't working. I touched them, they wiggled like jelly, and they were numb. Pain and fear struck my fifteen-year-old heart as I lay there, contemplating my future for an hour, waiting for the ambulance to arrive. I spent four months in a hospital and three months in a rehabilitation centre. The acute care spinal cord unit didn't exist back then.

The next reality to contend with was my return home to a rural community like Williams Lake. At that time, there weren't any ramps and curb cuts; only stairs and obstacles. Faced with these challenges, I realized that the biggest obstacle was dealing with my own attitude about my limitations and myself. I constantly focused on what I couldn't do, instead of what I could do. Thanks to role models and friends, I was encouraged to keep going, to believe in myself, to set goals, to chase dreams, and to get involved in activities that I was most closely committed to and passionate about, like sport.

I recognized that the definition of an athlete doesn't depend on the use of one's legs in order to excel. I began to set athletic goals—little goals at first like participating in table tennis. Bigger ones like wheelchair volleyball quickly followed. I also played wheelchair basketball. Basketball was highly competitive with hundreds of countries around the world participating in amazing events. I met some truly world-class athletes. They inspired me to try harder and be the best I could be.

Over time, role models like Stan Strong, one of the first surviving people with spinal cord injury, came wheeling into my life with a big cheesy grin on his face. Feeling sorry for myself, I looked at him and said: "What are you smiling about? Don't you know that you have a disability?"

Stan replied: "Don't you realize Rick, that your biggest disability can often be how you view your circumstance? Isn't it time you started focusing on the things you can do? You are still an athlete. Go for it. Go as far as you can. Live life. Try to do the things you love to do. Take some risks."

Stan was injured in the 1930s and spent four years in a hospital. When I would complain about the degree of slope of a ramp, he would smile and say: "There's a ramp there, Rick, there's a ramp there. What are you talking about?" He was able to contribute to others in spite of his adversity. And he made me realize the value of contribution. I tried harder.

I went out and participated in the environment as well. I refitted a kayak so I could open up the cockpit, put on a seatbelt with ripcord, paddle out, and enjoy myself. I recognized that the wheelchair could be left behind, from time to time, and I could be free to just go for it.

By adjusting my attitude, I was able to focus on excellence in sport in wheelchair track and marathoning. I pursued it seven days a week, four and five hours a day working on my body, my mind, and my equipment. This was necessary to achieve excellence.

One day while training and testing a new wheelchair, I crashed dislocating my shoulder and was assigned to the most competent physiotherapist to treat my injury. It turned out to be Amanda and after the Man In Motion World Tour, she became my wife. I can tell you, it was the best injury that I have ever had because she also treated my heart. It's amazing when sometimes adversity turns into an incredible celebration of a new relationship and of love.

Amanda helped me recover from that injury, and I was able to become a world marathon champion again, regaining my title by a hundredth of a second in the home stretch.

If it weren't for Amanda, my coach Tim, the generous support of people in hospitals and rehab centres, paraplegic associations, wheelchair sport associations, and the role models that challenged me, there is no way I would have been where I was in my life after this devastating injury.

When you feel and receive goodwill, you can't help but be motivated to give back. That's why I decided to wheel around the world: to change attitudes, to challenge people to think about the potential inside everyone with a disability if barriers were removed; barriers that didn't have to be there—physical or attitudinal.

Starting a journey like that wasn't easy. When we left Oakridge Mall, we went through a crowd of people and proceeded underneath an overpass. You can see in this picture (gestures at the screen) I have just gone into the tunnel. The guys following behind in the motor home have all my spare wheelchair equipment in a wooden crate strapped on the roof. As they passed through, they hit an over-height warning bar that was hanging down on chains. They stopped the motor home just as they should. And what did they do next? They sent one of the crewmembers up to lift the warning bar so the motor home could pass through. I'll show you what happened next as it was captured on national television. As the crewmember lifted the bar up, he said: "Ok. No problem. We've overcome that obstacle."

The motor home kept going. 'Crash!' (screen: the wooden crate hits the top of the tunnel, splits open, and spills wheelchair equipment onto the road) They hit the tunnel the bar was warning them about. You can imagine the confidence of those 200 well-wishers at that moment. This guy is wheeling around the world in a wheelchair? He can't even get out of a parking lot!

But isn't that the way big dreams happen? All of us think that we've got it together. We do our best, but things come out of the blue that we can't anticipate and we make mistakes. We just pick ourselves up again and we keep going. When we went around the world, people from 34 countries on four continents came out to give of themselves and encourage our journey. They transcended political, cultural, ethnic, and religious beliefs to help one person and his team make a difference.

Their support inspired me and re-instilled my faith in humanity in a global community where at times we became overwhelmed with the things that challenged us. I have the eternal belief that anything is possible, that there is great goodness in this world, and that together we can make a difference.

Coming home those last few days was absolutely fantastic. In Nathan Phillips Square 10,000 people came out. Back in British Columbia the streets were lined with hundreds of thousands of people. There were 50,000 people at BC Place welcoming me home at the finish line.

It was amazing! After two years, two months and two days, and 40,000 kilometres of wheeling, I pushed through the little banner symbolizing 40,000 kilometres of the journey and its completion.

As I went through the banner, I looked behind me and I saw a sign that read: "Welcome Home Rick." I looked again, and noticed that it also read: "The end is Just the Beginning." I was thinking: "What kind of idiot marketer would put that up? Doesn't he realize that I'm finished? That this is it?" Of course, after I rested and recovered, I realized indeed that person was very wise because he or she knew life is a journey, not a destination. We take our life experiences with us and move them forward. We set new goals, chase new dreams, and we never know where our life is going to lead. All we know is that we are moving forward.

At the end of the tour, Amanda and I began our relationship. We were married in the fall and started our own family. Our three incredible daughters—Emma, Alana, and Rebecca—challenge me everyday to understand the importance of life: to be part of a family, to give love and to receive it.

When you are feeling sometimes that you are limiting yourself, as we sometimes often do, if you are open enough you can be challenged by your daughters like I am.

One particular day, I was feeling sorry for myself as they returned from skiing, telling me about their ski lessons. I was thinking: "Aw, man...I wish I could be there." Then, my oldest daughter said: "Dad, why don't you just come with us?" I said, "Yeah, okay, lets go." So I went out and started learning to ski. It was fantastic. Oh sure, I crashed sometimes and ate a lot of snow, but I kept trying. In the end, the highlight of the day for me was actually skiing down the slope with my wife and three daughters. It was just spectacular: living life and pushing the envelope.

Making a Difference: The Environment

Getting out there and doing something with the environment and working with youth and mobilizing our efforts through our foundation towards improved quality of life for people with spinal cord injury are also important to me.

Fishing has always been a passion of mine. It had been a part of my life before my accident and became a critical part of my rehabilitation afterward. Just look at these incredible fish, (gestures to screen), the Fraser River white sturgeon. They have been brought to the brink of extinction in spite of outliving the dinosaur and living for 65 million years. I enjoy volunteering my time with a team of dedicated volunteers with the Fraser River Conservation Society catching, tagging, and releasing these fish to learn as much as possible about them to protect them. I hope they will be around for another 65 million years.

Always in Motion

Physical fitness remains a key part of my life. Using technology to continue to expand my range, I use recumbent all-terrain, multi-speed tricycles (gestures at screen) to ride as fast as my daughters can on their bicycles. I wish I had had that tricycle on the tour; I would have done it in one year instead of two! It is truly fantastic to be able to join my daughters in activities we enjoy together.

Making a Difference: Youth

Young people are the next generation of leaders in Canada and I enjoy the opportunity to engage with them and encourage them to believe in themselves and make a difference in this country. This is what makes this country strong and proud—Canadians believing in themselves and making a difference.

Making a Difference: The Rick Hansen Man In Motion Foundation

After the tour was over, we stayed focused on keeping our foundation going: thinking about ways we could leverage the impact. To date, we have made an impact of over $148 million. In spite of that achievement, it really is just a grain of sand in a desert of need. What we have to do is set the bar even higher and try harder.

We have been able to recognize that this is a field that has made incredible strides since Stan Strong was injured in 1938 and I was injured in 1973. Mike Harcourt, as you know the former premier of the province of British Columbia, was injured last fall. He had a spinal cord injury at a cervical level and he could have been a quadriplegic permanently. But thanks to a little luck and also some incredible intervention—first line paramedic response; attending physician administering methylprednisolone, a drug therapy meant to promote circulation and reduce swelling in the spinal cord; the incredible acute care spinal cord unit support; a surgeon who had the best imaging technology to determine the appropriate route of intervention to minimize paralysis; and great rehabilitation—he got up.

Four months later, Mike walked into my office as a result of that rehabilitation and incredible scientific advances. It's amazing to see the possibilities of a "Mike Harcourt." Mike Harcourt is a gold standard, but in 15 years he is going to be "the standard." We are going to see more and more people walk away because of research and clinical care.

In the community people with spinal cord injury are living a better life. They are actually out and engaged. People like Jeff Adams, incredible athletes, who are just going for it and are world champions. People who make us proud. People with whom you don't see the disability; you only see the ability. These are the kinds of new paradigms in our world that turn this cause from being a charity to a group of people who have great value in society. A cause that challenges people to try harder, not complain about adversity, and dig deeper every day.

Making a Difference: Today and Tomorrow

As we move forward over the next 10 years, we will implement new programs that will accelerate spinal cord injury research. The development of an international spinal cord research centre in Vancouver will be the hub of a national translational centre that links over 15 institutions across this country and takes discoveries into clinical trials. We are actually bringing together a national network of researchers, service providers, and people with spinal cord injury to collaborate and accelerate the pace. Until now, spinal cord injury is characterized as being an issue on the corner of everyone's desk—a mile wide and an inch deep. We are changing that thanks to a contribution from the federal government. Its contribution has enabled us to create a national spinal cord injury network. The continuum of care in spinal cord injury is fragmented. We must bring people together in order to work more effectively and unleash the creativity that is there.

The network we are establishing allows us to put pillars of service, research, and people with spinal cord injury into an integrated form. It allows us to think about key objectives. It allows us to create an army of people dedicated towards new ways of doing business. By looking at planning and strategic processes, we will inspire people to think about ideas that they never thought possible before, turn those ideas into reality and bring hundreds of millions of dollars into the field of spinal cord injury.

Through this network, people with spinal cord injuries can become the champions, instead of the benevolent recipients of the well-intended goodwill. These champions are ambassadors and they have the greatest ability and opportunity to contribute to this country and around the world. We will work with people who have a spinal cord injury like Christopher Reeve—people who have had a spinal cord injury but believe that one day a cure is possible.

Recently, we launched our Wheels in Motion Day, mobilizing Canadians across this country to get on wheels for spinal cord injury. Thanks to our presenting partner, Scotiabank, and to so many people in this room and in communities across Canada, we raised over $600,000 in our first year and in five years we will be raising $5 million a year for spinal cord injury. Half of the money will support local community quality-of-life priority areas and half will go to national research to advance discoveries ultimately leading to a cure.

With Wheels rolling out everywhere in the country, we are going to see so many people engaged. It will become an annual event to ensure that no one will have to wheel around the world again to draw attention to spinal cord injury. So put Sunday, June 13, 2004 in your calendars and participate in the second annual Wheels in Motion Day. It is only one small tip of a much bigger program. Think of somebody who can be part of this journey, who can come out and make a difference to a cause that has come a long way.

Making a Difference: The Power of the Dream

In conclusion, ladies and gentlemen, I believe in the next century you are going to see the wheelchair as something in a museum. Advances in new propulsion technology and new biomedical advances will enable people to leave the wheelchair behind and walk. In this next century, someone with a spinal cord injury will be a world-class athlete receiving a full medal in an inclusive event. I believe someone who Jeff inspired will be recognized as a true athlete at the Olympic Games, not in a special set of games.

We will see someone with spinal cord injury summit Mount Everest; get to the top to show there are no barriers too big that can't be climbed. We'll see someone with a spinal cord injury go into space and conduct zero gravity research in the space station as a symbol that there are no barriers. The wheelchair will no longer be required. A person with a spinal cord injury is an equal in a weightless environment and their journey will reach hundreds of millions of people back on earth, raising awareness and funds for spinal cord injury.

But it all truly boils down to each and everyone of us and to our future. To young people like Holly (gestures to Holly Noon, a 12-year-old representing Bloorview

MacMillan Village at the head table) who really has an incredible attitude in spite of her challenge. People who believe you are only a victim if you choose to be.

In spite of things that happen to us, we can go forward, we can focus on our ability, we can try harder, we can dig deeper, and we will never forget the power of the dream.

Every time we reach an obstacle, we believe with all our heart that somehow, some way there is a way over it, under it, around it, or through it, but somehow there is a way. We just need to find the key; we control the key.

Thanks a lot everybody. Never give up on your dreams. Keep going.

The appreciation of the meeting was expressed by Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada.

AUTHENTIC
ROXY

Rick Hansen, CC, OBC, Founder, President and CEO, Rick Hansen Man In Motion Foundation and Holly Noon, Grade 7 Student, representing the Bloorview MacMillan Children's Centre.

October 30, 2003

Tom Wright

Commissioner, Canadian Football League

THE FUTURE OF THE CANADIAN FOOTBALL LEAGUE

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Bill Laidlaw, President, Parkelaw Inc. and Past President, The Empire Club of Canada; The Reverend Stephen Peake, Rector, St. Thomas Anglican Church, Shanty Bay; Brian Etherington, Chairman, Special Olympics Canada Foundation; Derek Martin, Director, Vanier Cup; John Johnson, Chairman, Delta Hotels; Tim Reid, President, Strategic Investor Relations and Director, The Empire Club of Canada; Bob Johnson, President and CEO, Purolator Canada; Bill Moir, Executive Vice-President, Marketing, Tim Hortons; and Randy Gillies, President, Sun Microsystems Inc.

Introduction by John Koopman

It is a great irony of history that having won their independence in the name of liberty, the American colonists went on to perpetuate slavery for almost another century. At the same time in history the British Empire turned toward abolition. Within decades of the revolution, the slave trade within the empire was abolished.

The empire also did its utmost to disrupt continuing African slave traffic by other powers. The British bullied the Spanish, Portuguese and French into accepting the prohibition. By 1840, still 23 years before Gettysburg, the Royal Navy had 30 warships engaged off the West African coast and 425 slave ships had been intercepted and liberated. Only ships flying the United States' flag still defied the Imperial edict.

Slavery ended in the United States with the collapse of the confederate rebellion in 1865. However 100 years later African-Americans could not play quarterback in the National Football League.

Consider the story of Sandy Stephens.

Sandy Stephens was a great athlete. When he finished high school in the late '50s he was offered 59 university scholarships. He quarterbacked the University of Minnesota to the Rose Bowl in 1960 and 1961. The University of Minnesota never reached the Rose Bowl before Sandy Stephens nor has it reached the Rose Bowl since.

Stephens was drafted by the Cleveland Browns in the NFL draft and by the upstart New York Titans in the AFL draft. He never played a down for either team however. Neither team wanted him as a quarterback. They wanted him to play a grunt position.

Canada profited from the United Empire Loyalists who fled the anarchy of the revolution and formed the bedrock of our national consciousness. Canada profited from the underground railway that brought productive citizens to our nation. We also profited when the CFL welcomed Sandy Stephens to Canada and he led the Alouettes to the 1962 Grey Cup.

Stephens still dreamed of playing quarterback in the NFL and eventually returned to the United States and joined the Kansas City Chiefs. The Chiefs however used him as a fullback and he never realized his dream of playing quarterback in the NFL.

Stephens is no exception. J.C. Watts led his college team to two successive Orange Bowl victories and got lots of offers for NFL jobs, but he had to come to Canada to play quarterback. In 1981 he led the Ottawa Rough Riders to a Grey Cup game.

In that 1981 Grey Cup game J.C. Watts faced another black quarterback who had been denied an NFL opportunity. Only after winning five consecutive Grey Cups did Warren Moon get a chance to play quarterback in the NFL.

Contemporary attitudes have of course changed. There are a lot of good black quarterbacks in the NFL. Canadians should be proud of the CFL's leadership role in changing these mores.

As for Sandy Stephens, in his memoirs he relates to the tragedy of Moses—able to see the promised land, but unable to enter.

The CFL is an honourable and quintessentially Canadian institution. Mr. Tom Wright is the leader and 11th commissioner of the CFL. Prior to becoming commissioner, he spent more than 20 years in sports marketing as president respectively of Salomon North America, Adidas Canada and Spalding Canada.

Ladies and gentlemen, please join me in welcoming Mr. Tom Wright to the podium of the Empire Club of Canada.

Tom Wright

Mr. Chairman, head table guests, ladies and gentlemen, let me start my remarks by thanking the Empire Club President, John Koopman, for allowing me to address the Empire Club in Toronto.

For any individual in government, business or even sport, it is an honour to speak to this club and its membership particularly in this 100th anniversary year. Yours is an organization that is deep in a history that is linked with our country. It is here that world and domestic leaders have shared their perspectives on the very events that have shaped our nation and indeed our world.

While my comments today should not be construed as being earth shattering from a world perspective, the organization I represent, the Canadian Football League, has and continues to play a role in the shaping of our country. The CFL shares a special relationship with Canada—a relationship that travels back to 1909 and the first Grey Cup.

Just a handful of blocks north of here, the game was played at Rosedale Park at which the University of Toronto defeated Toronto Parkdale by a score of 26 to 6. Since that day in December 1909, Canadians have embraced, celebrated and rewarded the CFL in its moments of triumph and heaped scorn and derision on the league when it went astray.

But through it all the Canadian Football League has continued as a national beacon on the sports landscape for all Canadians: Westerners and Easterners, French and English, young and old. It is about this great country and what it means to be a Canadian sports fan that will be the focus of the thoughts I will share with you today.

It is about the role of the CFL, not in the past, but its future as a vibrant, vital, and connected sports institution that will be at the heart of my message.

I am a Canadian and a very proud one. This probably more than any factor attracted me to the Canadian Football League and to the role of commissioner. Like most Canadians of my generation, I grew up with the CFL; the great games, the great rivalries and the truly great Grey Cups.

I have vivid memories of the Calgary Stampeders' horse right here at the Fairmont Royal York in Toronto, the Grey Cup parties my Dad would host in our family room and the Grey Cup parties I would later attend as an underage, and most likely over-served teenager. I understood, albeit from a dated perspective, the special place that this all-Canadian league held in the minds, and more importantly, the hearts of sports fans across the nation.

Like all of you, I watched this league with all its good intentions and with its heart firmly in the right place stumble, and stumble badly. It was in the late '80s and early to mid-90s. The league made a strategic error as it attempted to find its place in a brand-new landscape.

Here was a league with deep Canadian roots trying to come to grip with a new sports environment—an environment dominated by the explosive expansion of sports television, the consumer-mandated marriage of sports and entertainment, the blurring of borders between our country and the one south of here and the melding of electronic cultures that confused, for a short-period, our sense of what it meant to be Canadian.

It was the same period where the pervasive "thought du jour" was that "big equates to better" and where "internationalism" was deemed a key ingredient for all enterprises in Canada, including major league sports. This period and this thinking led the Canadian Football

League down a path—a somewhat slippery path—which was almost its undoing.

The Canadian Football League abandoned the core essence of its brand, the true reason for its being. It abandoned what it stood for because its leaders did not understand at the time why Canadians supported this brand of football, this brand of sport. The league headed down a path that it thought was what football fans wanted.

It turned its focus to the U.S. and leaped into expansion south of the 49th with both "fully spatted" feet but without any articulated desire on the part of its fans, or any business plans to adequately support the move. The CFL turned its full attention to its American "experiment" while its Canadian position was left untended.

All of us in this room know the results from that period. Enter the Las Vegas Posse, Shreveport Pirates, Birmingham Barracudas, Memphis Mad Dogs, Sacramento Goldminers, and the Baltimore Stallions. Exit the Las Vegas Posse, Shreveport Pirates, Birmingham Barracudas, Memphis Mad Dogs, Sacramento Goldminers, and the Baltimore Stallions.

And so life continued in these American cities, but the damage from the U.S. project was felt in Canada. The league confused its core fan base in this nation with what the CFL stood for. Somehow in becoming "less Canadian" it became less relevant. It moved from being a major league Canadian property to something less because it attempted to be that which it was—and is—not. It attempted to be something that its fans never wanted it to be in the first place.

So why give the history lesson? Well fortunately the CFL's flirtation with disaster has a happy ending. It led this league to understand that its place on the sports map is determined by its fans, with only directional cues from the league to reinforce and in some instances shift perceptions.

It led the league to understand the CFL was really "Brand CFL" and that as a brand it would require careful management like any other consumer product from beer, to soap to cars. And it would require significant investment to ensure that its share of voice on this complex sports map was not only heard, but was also competitive.

Fortunately, at the same time the league was experiencing its epiphany, Canadians, particularly young Canadians, were going through a change of national identity—a change that fed the strength of the CFL through the late '90s and now into this decade.

Companies like Molson with their "I AM Canadian" strategy were first to recognize this change in national mindset and moved swiftly to embrace it. After 130 years Canada was becoming a country of Canadians.

We stopped identifying ourselves by what we are not and began, in the late '90s, to celebrate what we are. We achieved, again led by our youngest citizens, cultural independence. Canadians embraced community. Canadians trumpeted the right for individual thought and set our own agenda for our place in the world.

Canadians moved forward with positions that were sometimes in conflict with our traditional allies; be it in environmental reform or even the right of the country to participate in war, when and only when Canadians deemed it right to do so.

Whether or not we agree with the expression of this new-found confidence, and I suspect there are a number in this room who do not, the fact is that it is happening and it is having a dramatic impact on how we live, what we buy, what we watch, and what we subscribe to.

With respect to this brand of sport, sports fans that had left it during the '80s and early '90s began to come back as they re-discovered Canadian values and embraced their communities. Without market manipulation by the league, we found ourselves in sync with changing consumer needs. The shift was evident first through broadcast with CFL audiences more than doubling from 1997 to 2002 to where we are today as the second-most-watched sport next only to the National Hockey League. Concurrently with our broadcast growth, fans began to spin our turnstiles at an average growth rate of 12 per cent per year over that same five-year period, with younger Canadians leading the way.

The goal of the league now was to harness what was leading its growth and to do that we had to understand what was at the root of it. We needed to operate from a fact base.

While this need is obvious to most in this room, it is a difficult transition for an organization that had operated from the "gut" for most of its 90 years. It is a radical cultural change for a collection of Canadian football purists, who had lived and died through when-I-was-a-boy thinking, to allow its fans to climb into the driver's seat and to be more than just your traditional "arm-chair quarterback."

In 2002 we undertook the broadest and most comprehensive research ever undertaken by this league and I suspect by any league operating in these 10 provinces and three territories. We began a journey of open dialogue and open minds with CFL fans and not-so-CFL fans in every region and both languages.

The nine-month project taxed our organization from top to bottom, but the effort was more than worth the investment. We came away from the project with a clear understanding of what was driving the growth of the CFL and what would be required to maintain and accelerate this performance.

We understood the role of heritage of the game in this country. We began to grasp the importance of 90 years of shared experiences with a country itself continually evolving. We began to understand the magnitude of the importance of the absolutely unique Canadian identity that this sport alone holds with Canada, and the role our

Canadianism would play in carrying our businesses forward.

The role of community, the sense of regional rivalries, the understated nature of our collective personality, even the role of the natural elements, "the cold wind in the air and cold beer in the hand," contributed to the fit between the game and its fans.

Perhaps a lesson to all sports operators, certainly in Canada and likely well beyond, the CFL draws its strength from its athletes. In a sports' environment regrettably dominated by salary news, labour disruptions and athletes distant from their fan base, CFL players stand apart as professional athletes, viewed as accessible "working-class heroes" and involved members of the community who play for the love of the game and not for the million-dollar paycheques.

We listened to fans speak passionately about the Grey Cup—the venerable Canadian sports icon that has more that stood the test of time. The strength of the Grey Cup was demonstrated in hard numbers in 2002 as the most-watched championship in professional sports with over 5.4 million viewers tuning in.

All that being said, I would like to stand before you and report that the news from our work was all positive, but it was not. We discovered that the national brand, the CFL, was under-developed. We also came to realize that in the absence of a strong CFL brand and a strong and consistent voice of leadership from the CFL office many teams ventured off in their own directions. This was understandable but equally incompatible with the necessary fundamentals of a Canadian league charged with building a Canadian brand.

The strategy that emerged from our homework and diligence detailed a new, aggressive and exciting role for the Canadian Football League. We have taken charge of our symbols introducing a brand new look for the CFL. It is loud. It is proud. It is bold and it is truly Canadian.

We have strengthened our rituals reinforcing the marriage between entertainment and sports with the bottom-to-top reformatting of the Grey Cup and the East and West Division championships. We have introduced new properties to create identifiable signposts adding depth to the season. The Canada Day Bash, Labour Day Classic and Gridiron Thanksgiving all address the further development of our brand. Most importantly, our re-engagement with consumers and sports fans has to be national in scope.

Our businesses are healthy in the West. We have seen a dramatic resurgence in CFL fortunes in B.C. as the new Lions management team has made all the right moves to reconnect with its market. Our strength in Edmonton, Calgary, Saskatchewan and Winnipeg is well known and well founded, and certainly the game rivals hockey for fan attention in these markets.

In the East, the Montreal Alouettes have developed a very special relationship with their fans. They are the pride of the city and have just completed four straight years of fully sold-out games. The reintroduction of the Ottawa Renegades has been described as a text-book launch. Averaging more than 24,000 fans a game, the team has embraced the fan as the hub of its business. As well, CFL prospects for expansion in the East in Halifax or perhaps Quebec City are very strong with well-developed amateur football programs in both centres.

Our challenge markets of Toronto and Hamilton are the absolute clear focus of our attention. Sometimes we need to remind ourselves that not so many years ago we considered Montreal a “special market.” In Toronto and Hamilton, the prescription required direct action. In late July, the league took over management control of the Toronto Argonauts. A little more than two weeks later we did the same in Hamilton. We know factually that the fundamentals of our brand in Southern Ontario are alive. Are they alive and well? No. Are they alive and ripe with potential? Absolutely.

Overall, the region continues to contribute between 35 per cent and 40 per cent of our television audience. In fact, the Argonauts remain our number-one television product. However, these two teams suffered from crucial issues that have caused the erosion of our presence in these excessively important markets.

Issues such as:

- Proper capitalization;
- Committed, connected, and local ownership;
- Disciplined business planning; and
- Effective, long-term and consistent brand marketing.

We had a choice this past summer to again whitewash our issues in Toronto and Hamilton and avoid the untidy public debate, or for once and for all to make the tough decisions necessary to ensure that our performance in the Golden Horseshoe would keep track with our experience in the rest of Canada.

We chose the latter because we are healthy enough as a league to do so. We chose the latter because our national growth could not be sustained without building a relevant connected business in Toronto and Hamilton. We chose the latter because it was the right thing to do. And the rest is history.

Since the middle of August, we have subsequently moved forward with the announcement of the sale of the Ti-Cats to Mr. Bob Young, an individual with the right mix of passion for the game, outstanding business experience and credentials, and a deep love for city and country. In Toronto, I am confident we will be able to move forward with a similar announcement of ownership with proven entrepreneurial success, long-term business opportunity thinking, strong Toronto community ties, and passion for both the CFL and the Argonauts.

So as a league we will arrive in Regina, Saskatchewan, for the Grey Cup with a solid position in all nine markets and prospects for near-term expansion in our sights. We will arrive knowing that we have an enviable business model rooted in labour peace on the strength of a workable salary cap and players who share in the goal of building their brand. We will arrive with a well-architected brand under the careful stewardship of a league office that knows and understands marketing. We will arrive knowing that we will have just completed year one of a new landmark broadcast agreement that delivers the deepest broadcast footprint in Canadian football history with 72 of 81 games on-air, a full appointment television schedule with TSN's successful Friday night package now reinforced by CBC Prime Time Football on Saturday nights, and the best production quality ever put forth for this game. All of this is to suggest that we are moving forward on our plan.

We understand our brand and have charted its course on a footing of sound fact. We are in sync with the mood of the country and reflect its nature in our product. We are ensuring that our message is communicated broadly and consistently whether the source of that message is the league, the teams, our sponsors or our broadcasters. We are building new businesses and monetizing assets through the Internet, through secondary broadcast products, and in balance through electronic market expansion to the U.S.

If there is one piece of critical learning from our brand exploration, it is that the market is dynamic and constantly changing. We understand the ever-shorter life cycles of trends and consumer interests. We are cognizant of the need to continually monitor the market and adapt our product as required.

We are aware and will invest in creating the market by feeding the development of amateur football across the country. We are not oblivious to the advancement of world sports but, providing we stay fully in sync with Canadian values, we do believe the sense of community that emanates across our nation will ensure CFL football not only lives but thrives within Canada.

This game, the Grey Cup, has been, is and always will be a fundamental part of the fabric of Canada. While for many this game is rooted in great memories, it is our challenge to ensure that we continue to create memorable moments for new generations of fans.

It is our responsibility to ensure that this great game continues to reside in a special place in the mindset of Canadian sports' fans, and that we demonstrate the CFL is a major league entry at all points of contact in a manner or with a positioning that fully reflects the ideals of Canadians.

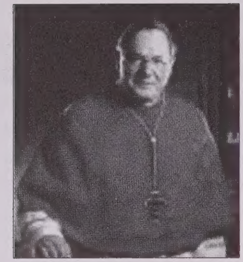
Ladies and gentlemen, I thank you for your kind invitation to join you here today. I hope I have been able to convey our enthusiasm for this game and our confidence that it will continue to be an important part of our sports landscape for generations to come.

I would also like to thank our partners at Rogers AT&T, sponsors of today's event, who earlier this year joined the CFL as its Premiere Business Partner, and who have demonstrated their support day in and day out through the support of our Heroes Program in our broadcasts.

I hope each of you will find the opportunity to reconnect with Canadian football. I encourage all of you to support this great Canadian game and to share the experience with your families and friends.

Again, I thank you for your attention.

The appreciation of the meeting was expressed by Tim Reid, President, Strategic Investor Relations and Director, The Empire Club of Canada.



November 13, 2003

His Eminence Aloysius Cardinal Ambrozic

Archbishop of Toronto

MULTICULTURALISM: ITS ADVANTAGES AND LIMITS

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Heather C. Devine, Associate in Litigation, Gowling Lafleur Henderson LLP and Director, The Empire Club of Canada; Alan Medri, Student, President of the Student Council, St. Michael's Choir School; Dr. Reginald Stackhouse, MA, LTh, BD, PhD, DD, Principal Emeritus and Research Professor, Wycliffe College and Past President, The Empire Club of Canada; John McGrath, Chancellor, Temporal Affairs, Roman Catholic Diocese of Toronto; The Most Reverend Terence E. Finlay, Archbishop of the Ecclesiastical Province of Ontario, Archbishop of the Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada; The Rt. Hon. John Turner, Former Prime Minister of Canada and Partner, Miller Thomson; The Reverend Kimberly Beard, BA, BEd, MDiv, Rector, Christ Church, Brampton and Director, The Empire Club of Canada; W. Frank Morneau, Chairman, Morneau Sobeco; Robert W. Chisholm, Vice-Chair, Domestic Banking, Scotiabank and Member, Finance Council of the Archdiocese of Toronto; Thomas McCarthy, Vice-Chairman, J. J. Barnicke Limited; and The Hon. James K. Bartleman, OOnt, Lieutenant-Governor of Ontario.

Introduction by John Koopman

About 14 centuries ago, after much bloodshed and war, an orphan named Mohammed marched into Mecca and was acknowledged as both a prophet and a prince. As a prophet he decreed that no infidel should enter Mecca. As a prince he subjugated the Arabian Peninsula. Islam developed not wary of political and temporal power but intensely intertwined with it.

In contrast, early Christian history was marked by fierce persecution, and then after Emperor Constantine's conversion, imperial patronage. In 410 AD however, Rome was invaded and the great mistress of the world sacked. Pagans charged that the cause of the city's pillage was Christian impiety to the ancient Roman gods.

St. Augustine defended Christianity from this charge and wrote "The City of God," which examined the link between state power and the church's mission. According to St. Augustine, whether the empire dominated the world or lay in tatters, whether the church was persecuted or proselytized, Christian faith should never be identified with any secular power. St. Augustine gave intellectual depth to Mathew's simple New Testament injunction: "Render unto Caesar what is Caesar's, and to God what is God's."

As St. Augustine saw it, the City of Man could never be the principal means of evangelization. Politics is a secular not scared activity, and politics could not be the principal forum for faith.

In the western democracies there is little danger of the church running the City of Man. Rather the modern state is squeezing all that is sacred from public life and public institutions. It is Christian clergymen who are often told that their voices are not welcome in the public square. The western secular response for decades has been: "Where the City of Man advances, the City of God must recede." Where the state goes, secularism must be imposed in its wake and institutions purged of "religiously biased views."

Contrast this with the Islamic world where the Cities of God and Man are often intensely linked and query whether we in the West have artificially and unreasonably tried to force these two cities into separate solitudes.

There are religious matters on which civil law must be silent. The Apostles Creed is not the constitution. But as Pope John Paul II said: "Morality cannot be banished from the public arena in the name of political realism."

Tommy Douglas openly said that his religious faith was the principal factor animating his belief in public health care. To have told Tommy Douglas to separate his religious faith from his political programs would have struck him as absurd. Is it really possible to separate one's religious faith from one's legislative views?

About these issues, I only have questions. Our guest speaker today has answers.

His Eminence completed high school at a displaced person's camp in post-war Austria. He came to Canada with his family in 1948, fleeing war-torn Europe. He was ordained a priest in 1955. In March 1990 he was made Archbishop of Toronto. He was named a Cardinal by Pope John Paul II in January 1998. His writings are widely published.

The Empire Club of Canada is proud to be able to offer its podium to a Prince of the City of God, His Eminence Aloysius Cardinal Ambrozic.

Aloysius Cardinal Ambrozic

Introduction

First, I must answer the question about what entitles me to speak of multiculturalism. I have made no special study of the phenomenon, nor have I examined the activity of the various government portfolios on multiculturalism and the theories or convictions which underlie it.

I speak instead out of my own experience. I speak as an immigrant, as a naturalized Canadian, as a priest, as a bishop who was responsible for ethnic parishes in the Toronto Archdiocese for some 15 years and as an archbishop in whose archdiocese Mass is being celebrated on a daily and weekly basis in some 30 languages. I came to Canada at the age of 18, after finishing at a Slovene high school in a D.P. camp in Austria, and thus was self-aware and aware of what was happening about me. May I mention that in 1957 I went to Rome for graduate studies and discovered, in an Italian residence, how Canadian I had become in the course of the nine years which had elapsed, and, at the same time, how European I had remained.

What is Multiculturalism?

It is much easier to say what it is not. It is not a multiplicity of economic systems; nor is it a multiplicity of legal or public administrative systems; nor is it a multiplicity of public educational systems. Even heritage classes in schools follow the pattern accepted in our schools.

The difficulty in defining multiculturalism is compounded by the difficulty in defining or describing the culture we live in. McLuhan's statement that a fish was not the first to analyze water is very applicable here. While we find it easier to describe other cultures, we do it by means of contrasting them with our own customs. Pierre Berton has written a book on being Canadian. I cannot recall the title. I found it insightful, but it too set up a contrast with the Americans. Luigi Barzini's "Italians" comes to mind as about the best description of a culture known to me.

Culture is, most definitely, a reality: an amalgam of attitudes, customs, knowledge, greater or lesser artistic sensibility, habits learned or taken for granted, historically conditioned tendencies and biases, etc. I remember a Korean fellow-student in Germany telling me how difficult it was to look people in the eyes. Looking someone in the face is brazen in Korea; not looking in the eyes is a sign of dishonesty or unease among us. Everyone knows further that some jokes "translate" very poorly. I do not have in mind ethnic jokes; with regard to these, I cannot tell any in Toronto. I ought to mention also that the word "fairness" finds it hard to strike an exact equivalent in many another language.

To the best of my ability I would describe the phenomenon of multiculturalism in Canada as "a benevolent letting be, in religion, language and private customs, in regard to ethnic communities and individuals." The emphasis here is on "benevolent," for ethnic communities have existed and will exist whether the dominant culture likes it or not. I shall return to the importance of the term "benevolent."

A caution ought to be voiced as well: we are not dealing with cultures as such, but with people formed and influenced by various cultures. This formation and influence knows degrees of depth and intensity. Cultures interpenetrate in individuals and communities; in the course of years they change. An immigrant brings his country within him at the stage at which he leaves it. With the passing of years he changes under the influence of the new environment (which becomes less and less new), and his native land, with the language it speaks, changes as well. The immigrant's native tongue thus tends to become somewhat antiquated. E.g., Spaniards going to the ghettos of Bosnia, hearing Jews speak the 16th-century Spanish.

Agents of Multiculturalism

Speaking of the agents of multiculturalism, we must distinguish between purpose and effect. It is the purpose of some of them to make Canada more multicultural—the government and, to a degree, schools come to mind—but most of them do what they do in order to preserve certain values, such as religion, language, morality, family life, etc. brought into the country by the immigrant and thought to be worth holding on to and passing to their children.

Besides the government and schools, there are such agents as the family, of course, ethnic associations of all kinds, ethnic press, etc. Churches and synagogues are, I am convinced, of immense and pivotal importance. Under their aegis, you will find various cultural groups and their performances, choirs and orchestras, dance groups, and above all Saturday schools.

I must admit, to my shame, that I am unfamiliar with the ways in which Muslims and Hindus go about these things.

In connection with the preservation of the ethnic language in the home and Saturday school, I ought to emphasize the need of sacrifice and self-discipline. Sacrifice and self-discipline on the part of the parents, in order to speak the non-English language in as pure a form as possible. Allow me to mention a friend who taught his sons the Slovene names of trees, flowers, grasses and another friend who insisted that his son speak French at the table, and the son replied: "But, Dad, to me everything happens in English." Sacrifice and self-discipline on the part of the children going to Saturday schools as well. On the part of their teachers, furthermore: I think of the young Argentine-born teachers in Slovene schools in Argentina, who sacrifice, for free, some 37 weekends a year.

Benefits of Multiculturalism

Under this heading I mention benefits for Canada in the outside world and benefits to countries other than Canada.

I can think of the ever-wider spread of the knowledge of Canada in other countries. The first time I heard the name Toronto was at the age of 17; Canada in my high school days was the large pink blob to the north of the U.S. on our maps. Now everyone in Slovenia and many other European countries knows of Toronto and Canada. With the familiarity there goes influence—often hardly known to many a Canadian.

We must mention the influence of our ethnic groups, and thus of Canada, on their countries of origin. How important it was, in every field of endeavour, for the countries within the Soviet Empire to have people in free countries speaking for them. Think of Ukrainians, of Baltic peoples, of Poles, Hungarians, etc. Croatians in Canada and Australia must have donated billions of dollars to their country of origin. The help—material and other—given by the immigrants over the 40, 50 or more years was of immense material and psychological help in keeping sparks of freedom, humanity and religion alive. I ought to mention one unintended compliment of Communist authorities to the free ethnic press and its books; they did not allow you to bring these books across the border, and their mails did not deliver them.

Significance of Benevolence

Years ago, I met a young woman of German descent, who mentioned that, as a child, she was never told any fairy tales by her mother, who knew only German ones. Some time ago I met a priest, originally from Cleveland, with a German name. He knew no German; his family refused to speak German at home because of the fear of being thought anti-American. It is also good to remember that, up to WW I, Kitchener was called Berlin.

The fact that the school recognizes the children of ethnic descent, through heritage classes and in various other ways, is of immense psychological significance. The institution, so heavily present in children's lives and consciousness, tells the child that there is no need to be ashamed of the parents' accent, cooking and smells in the house. It is most affirming to be told to be proud of your background. That is ultimately far more significant than the language they may learn in heritage language classes—though that ought not to be minimized.

The result: much better integrated Canadians, more at peace within themselves and with their fellow-citizens, fewer resentments, less xenophobia and more tolerance.

Another result of the public benevolence: there is little, if any, talk of "ethnic ghetto." Now we speak of ethnic communities. It is easy, of course, to distinguish between the ghetto and the community in the abstract—one is said to be closed in upon itself, the other is thought to be open—but in reality the two are often very similar, the term given them depending primarily on the attitude of the outsider. The same is true of the process of assimilation and integration; one is said to be bad, the other good. In practice, however, it is very difficult to distinguish them.

Perils of Multiculturalism

Dangers inherent in the so-called ethnic ghetto are not necessarily avoided by public benevolence. The danger remains that members of the ghetto cease growing intellectually and linguistically with both the country of origin and the country of adoption. Thus the ethnic community becomes their true home—not only the ethnic community as such, but the people of "your vintage," who came to Canada at the same time as "yourself."

In every transplantation there occurs, almost inevitably, a certain loss—the loss of "living with" the country of origin and that of adoption. It is good to remember that most immigrants are not academics or people of high finance; these people have migrated sociologically long before migrating geographically.

The Future of Multiculturalism

Multiculturalism will remain alive as long as there exists sizable immigration. Cultures imported from abroad live in the first and to a degree in the second generation of immigrants; in those, in other words, who come here as grown-ups and their sons and daughters. The people who retain their language—here I am not speaking of the francophone and native Canadians, who are not immigrants in the ordinary sense of the word—beyond the second generation are rare. In my own experience, I have met a few Poles and Lithuanians of the fourth generation who still spoke, however haltingly, the language of their great-grand parents. But such are few and far between.

In this regard I refer to the observations of Will Herberg in "Protestant-Catholic-Jew: An Essay in American Religious Sociology" (Doubleday, 1955). He describes the development of immigrant groups in the U.S. and various ideal images of the American society prevalent during the

19th and the early 20th centuries. There was the ideal image of what Herberg calls multicultural America, which was basically that of an ethnic mosaic, i.e., a reproduction of European national divisions. Opposed to it was the so-called melting-pot ideal which looked forward "to a genuine blending of cultures, to which every ethnic strain would make its own contribution and out of which would emerge a new cultural synthesis, no more English than German or Italian and yet in some sense transcending and embracing them all" (p. 33). The melting-pot ideal did prevail in the American cuisine; but only in the cuisine. In reality, it was neither the multicultural model nor the melting-pot model that prevailed: "the American's image of himself is still the Anglo-American ideal it was at the beginning of our independent existence." (ibid.)

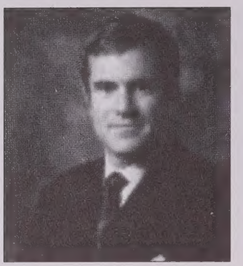
It seems that what will prevail in the English-speaking Canada, what appears in fact to be prevailing right now is the Anglo-Canadian self-image, no matter how imprecise it may be at times.

Myrna Kostash, a second generation Ukrainian-Canadian, would agree with Herberg: "English is our mother tongue. Our understanding of the Ukrainian language is imperfect and our speech even worse. (If we are successful writers, speakers, teachers, actors and editors, it's because we have mastered the English language and excelled as members of an Anglophone community.)" ("All of Baba's Children," Edmonton, Hurtig, 1977, p. 387).

Yet ethnic sensitivity and ways of perceiving reality do not disappear as easily as it would appear and, even if the language is long forgotten or unknown, family traditions, attitudes, humour and other traits persist much longer. The assimilation has not been as thorough as some tend to believe. There are attitudes, which are much too deeply ingrained to disappear in one or two generations, and this despite their having been separated from their natural habitat. They have become anonymous, but they remain real, and as such they enter the Canadian mainstream, thus enriching and diversifying our common heritage (see A.M. Ambrozic, "Some Remarks on Immigrant Experience," Study Sessions 1983, the Canadian Catholic Historical Association, pp. 500–501).

The appreciation of the meeting was expressed by The Rt. Hon. John Turner, Former Prime Minister of Canada and Partner, Miller Thomson.

The Hon. James K. Bartleman, OOnt, Lieutenant-Governor of Ontario and His Eminence Aloysius Cardinal Ambrozic, Archbishop of Toronto.



November 27, 2003

Alan Power

President and CEO, Decoma International Inc.

CANADA'S AUTOMOTIVE INDUSTRY

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Rev. Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada; Meg Choi, Grade 12 Student, North Toronto Collegiate Institute; Rev. Kimberley Beard, BA, BEd, MDiv, Incumbent, Christ Church, Brampton and Director, The Empire Club of Canada; Robert J. Dechert, Partner, Gowling LaFleur Henderson LLP and Past President, The Empire Club of Canada; Derek Hatfield, Skipper of "Spirit of Canada"; Verity Craig, Associate, Carmichael Birrell & Co. and Director, The Empire Club of Canada; Harry T. Seymour, PEng, FFAF, Executive Vice-President, GBC Asset Management Inc. and Past President, The Empire Club of Canada; and The Hon. Joseph Cordiano, MPP, Minister of Economic Development and Trade, Province of Ontario.

Introduction by John Koopman

Early in the Second World War a man named Tex Thornton recruited nine brilliant young men to the U.S. Air Corp. With dispassionate attitudes, strict accounting controls, and numbers-based analytic methods, this group built and organized the U.S. Air Corp. To many men the Second War was a lesson in doubt. To this group it was a lesson in truth.

As the war drew to a close, these 10 young men decided to sell themselves as a group. They would seek a needy company to save; it didn't matter which one, the weaker and needier the better.

In 1946 the Ford Motor Company had been poorly run for decades, teetered on the edge of bankruptcy and was losing the then astronomical sum of $10 million a month. So they sent a telegram to Henry Ford II. The telegram said: "Terrific Young Managerial Team Ready to Modernize and Save Your Company." They were young, they were talented and they were sure of themselves. The oldest of the group, Tex Thornton, was all of 32.

The Whiz Kids, as they came to be known, were not automobile people. They were not fascinated by mechanics, nor in love with cars, nor awed by the lust of turning raw iron ore into wonderful machines. Their knowledge was about systems that they believed could be used to govern any organization.

The whiz kids were clinical and only facts mattered. They were distrustful of experience. For them experience was not expertise, it was just as likely to be bias. Numbers were more than a belief; they were a theology.

Of the 10, two later become Ford presidents and three became presidents of other major American corporations. Robert McNamara left the Ford presidency to serve in "Camelot" as Secretary of Defence for President Kennedy, and Tex Thornton founded Litton.

But as talented as they were, the whiz kids legacy is ultimately one of failure. Hubris was their Achilles heel. They embodied the perpetual Liberal conceit: "They knew better than anyone else." They spawned a post-war tidal-wave of MBAs who were slaves to numbers, cost control and centralized authority. For all their brilliance they never understood the human element in business.

Tex Thornton's Litton collapsed under the weight of too much expansion, another whiz kid committed suicide after his Mercury division profits collapsed, and Robert McNamara applied statistics and quantitative methods to the war effort in Vietnam with disastrous results.

Our guest today was made President of Decoma when he was only 32 years old. In 1999 he was named one of Canada's Top 40 under 40. So Mr. Power is a whiz kid—but he has a more enduring formula than the post-war whiz kids. The Decoma formula is built on people, not on paper. Business units are kept as small and entrepreneurial as possible. Plant managers run their own business, not the corporate centre. This dynamic corporate culture is the cornerstone of the company's success. Decoma, like Magna, its former parent, has a corporate constitution that mandates equity and profit participation for all employees.

Ladies and gentlemen, please join me in welcoming, a son of Cape Breton, Mr. Alan Power to the podium of the Empire Club of Canada.

Alan Power

Good afternoon ladies and gentlemen and thank you for the invitation to share some of my thoughts on the state of the automotive industry in Canada.

I stand here today as a concerned Canadian, one who has spent his entire career in the automotive business. As head of a Canadian auto-parts company, my interest is much more than personal. It includes the 7,000 Decoma employees in Canada—over 40 per cent of our total work force—whose livelihood is tied to a strong and sustainable automotive industry.

Decoma is a world leader in exterior automotive appearance systems. Since the company was founded, we have grown to 49 facilities worldwide—20 here in Ontario—and now supply virtually all the world's major vehicle manufacturers. We make parts such as bumper covers, running boards and lighting systems—the types of products that enhance the appearance of a vehicle.

I wish I could say that the Canadian automotive industry is in fine shape. But the truth is it's not—and we need to act decisively and urgently to repair it.

First, let's consider what's at risk—a leading, knowledge-based industry that has been a mainstay of the Canadian economy for many years. When I say Canada, I'm referring mainly to Ontario, which is home to over 95 per cent of the country's vehicle production.

The automotive industry has a long and storied history in Ontario. The province is now home to 14 vehicle assembly plants and more than 450 auto-parts manufacturing facilities. In 2002, Ontario's vehicle production represented more than 15 per cent of the North American total—or basically one in every six vehicles built. This output means Ontario is second only to Michigan in North America and, remarkably, seventh worldwide.

However you measure it, the economic impact is significant. The auto sector is Canada's biggest contributor to manufacturing GDP and its largest manufacturing employer. The automotive industry, in fact, generates about one in every seven jobs in Canada. In Ontario, the industry employs close to 210,000 people directly—about 83,000 in assembly and 127,000 in parts.

As you might expect, a major portion of what we produce—90 per cent to be exact—is exported south. This has helped Canada consistently post a surplus in finished vehicle and parts trade. Canada-U.S. automotive trade is big business—$150 billion annually—which is over 20 per cent of the total number.

While there is no denying that we have built a solid foundation over time, recent trends have intensified the debates about the long-term health of our industry.

A look back at the past five years reveals a fairly steep decline in vehicle production since its peak in the late 1990s. Not coincidentally, Canada's trade surplus has dropped by some 40 per cent since 1999.

Now to some degree this is simply a reflection of tougher times for the industry overall, but it's not the full explanation. For a more complete picture, it helps to go back a bit farther.

The decade or so leading up to the late 1990s was a prosperous period for the Canadian automotive industry. Our competitive standing was perhaps never better. Choosing Canada made perfect sense.

A skilled work force, high productivity and a low dollar helped Ontario attract substantial new assembly capacity in the late 1980s and early 1990s. Naturally, suppliers benefited from this rise and during the 1990s, the auto-parts business took off. Parts shipments climbed from $8 billion in 1992 to over $20 billion by 2000.

So why is the industry in trouble now? What's changed? Well, a lot.

The biggest change—and the most disturbing trend—is that we've lost out on every major new assembly plant investment in North America.

Consider this: in the first half of 2003 the world's automakers earmarked more than $11 billion for new investments. Canada won't see one dollar of it.

Go back a few years and you'll see similar numbers. That's not to say Canada hasn't had its share of sizeable investments, but ours have been predominantly refurbishments or capacity expansions rather than new "greenfield" projects.

To make matters worse, three assembly plants have been closed or are now slated to close—two in Ontario and one in Quebec.

The interesting thing is we're not losing new business to the regions that for many years were our primary rivals. We're losing to upstarts like Alabama and Tennessee.

Since 1989, there has been only limited new assembly development in Ontario. During the same time, 19 new assembly plants were located in the U.S., mostly in the south. That's a success rate the Canadian industry could not match even in its heyday. And clearly we haven't responded to what these states are offering today.

Given the choice between all the advantages offered by other regions, the car companies continue to choose the Southern U.S. The number-one reason is not good infrastructure or a skilled work force; it's purely economic.

In addition to labour costs that are among the lowest in the U.S., governments of these states have been aggressively courting vehicle manufacturers with often huge incentive packages. Subsidized loans, land purchases, tax concessions—all have been used to great success to lure investments.

Some people have questioned the soundness of a strategy based largely on cash incentives. What matters is the governments of these states think it's the right strategy and have gained popular support because they're not viewing it as a handout; they're viewing it as investment in the future.

That's an important distinction. They don't feel they're giving away money; they are making an investment based on a solid business case, with a clear path to returns.

This business case no doubt contemplates the powerful spin-off effect of each new assembly plant. A commonly used multiple assumes that for every one job in assembly, at least five to seven more are created or supported indirectly. Many of the indirect jobs are coming from the growing supplier network that now reaches across most of the South.

While Decoma is firmly committed to Canada, the reality is we must also go where our customers go. Last year we announced plans for a major new facility just outside Atlanta, with an initial investment of US$85 million. This new plant will support Mercedes-Benz business, but it also gives us a strategic foothold in this fast-growing region.

When you consider what else has changed in the Canadian automotive industry, it's important to look at the health of the car companies that sustain it. The predicaments facing the Big Three—Ford, General Motors, and Chrysler—have been well publicized in recent years. Together, these companies account for about three-quarters of the vehicles produced in Canada.

These once-dominant companies have been facing pressures at every turn and have seen their grip on the North American market weaken as new entrants have gained momentum. The Asian car companies in particular have been grabbing market share with high-selling, award-winning vehicles.

This erosion of market share has had a major and lasting impact on the North American industry. In Canada, the fallout has been a decrease in new investments from the Big Three, cutbacks at some existing plants, and the loss of critical assembly jobs. While this news has been offset to some degree by investments and capacity additions from Toyota and Honda, the net effect has been negative.

On the plus side, the pendulum appears to be gradually swinging in the right direction for the domestic automakers. The quality of their cars has improved dramatically over the past few years and we are seeing them appear more frequently at the top of influential consumer surveys on vehicle quality and reliability.

Many of their assembly plants are getting high marks as well. In the 2003 Harbour Report, which measures manufacturing efficiency and productivity, the Big Three had six of the top-10 facilities in North America.

The Big Three are also fighting back with an aggressive schedule of new product launches. For the 2004 Detroit Auto Show, for example, the Big Three will display a record 80 new products.

It will take time to change consumer perceptions and regain positive momentum, but like many others I'm optimistic that a series of competitive vehicles will help them slow the decline and should eventually reverse it.

So what else has changed in Canada since the mid- to late-1990s?

An obvious answer is the upward move in the Canadian dollar. While this is a recent trend, it just makes the current situation more critical. The full impact, though, will not be felt for a while. In our industry, we generally see a three- to five-year lag, meaning the full impact of the strengthening Canadian dollar will not be felt for a while.

This should be cause for concern for an industry that, historically, has relied too heavily on a low dollar. To illustrate the long-term hazards of this strategy you can analyze the recent history of the United Kingdom.

Production in this once-buoyant automotive market has been declining steadily in recent years. Currency is not the only factor; it never is. But the pound was keeping the industry afloat for many years and in my view has hastened its decline.

I'm not suggesting that's where Canada is headed; it's simply one potential outcome. However, the parallels should concern us.

As if these issues aren't daunting enough, our industry has other challenges to address, like the overcapacity that is plaguing many of the assembly plants in North America. Emerging markets such as China also pose an immediate threat to parts suppliers and, in the future, possibly to vehicle manufacturers themselves.

Sound discouraging? Perhaps. But the good news—yes, there is good news—is that the government has awakened to industry concerns and is committed to action. We have a long way to go but we're seeing many positive signs from both levels of government, particularly from our provincial government.

Earlier this year, the Ontario government pledged an investment of $625 million—$500 million for the Ontario R&D Challenge Fund, which will support innovation activities, and another $125 million for skills training. Although industry is still understanding how to benefit from these investments, the government's announcement did indicate a willingness to address the problem.

In addition, we're currently in discussions with the new provincial government on the development of other programs specific to the automotive industry.

Another important development was the formation last year of the Canadian Automotive Partnership Council or CAPC. The group is composed of representatives from provincial and federal governments as well as industry, labour and academia.

Its mandate is to identify and prioritize the actions needed to ensure that the Canadian automotive industry continues to develop and remain innovative.

The council gives a voice to all key constituent groups and recognizes that this is truly a partnership and that despite our differences we share a common goal and need a common vision.

CAPC has classified all the issues facing our industry under eight major categories. An encouraging sign is that we're already seeing significant progress in all eight areas. I'll touch briefly on two that I believe are especially vital to the future of the automotive industry in Canada.

The first category is innovation. As the co-chair of the CAPC Sub-committee on Innovation, this is a topic that's near and dear to me. It's also something we're very passionate about at Decoma—so much so that a minimum investment in R&D is written into our corporate constitution. Our management team wisely recognizes that new products and technologies help us maintain our leadership position and open up new market segments.

A hallmark of the Canadian automotive sector, innovation, is one of our country's best hopes of remaining competitive and attracting investment, especially as it becomes more difficult for us to compete on a platform of lower cost.

Unfortunately, it has taken us a while to get the message. In 2001, the World Economic Forum ranked Canada's performance as weak, with a "current competitiveness" ranking of 11th in the world. Canadian automotive R&D spending significantly lags the national average.

It will take more than just increased government R&D spending. We would also like to see further tax changes to encourage industry-driven research and development. And we'd like to see an innovation fund specific to our industry and aligned with our needs because the programs currently available are either insufficient or difficult to access.

For many in our industry, the capacity to innovate is closely tied to developing human resources. There is no disputing the overall skill and education level of Canada's work force; we continue to place at or near the top in most studies. The bigger issue is the disconnect between the education system and our industry's needs. We have great technical resources in Canada but they are not set up in a way to service manufacturing.

I believe we have a real opportunity to modify our education and training systems, to strengthen the competitive advantage we claim in labour and encourage more young people to consider a career in the automotive field.

Among other ideas, we should look at the following:

- Ways to promote high school science and technology programs, co-op education and apprenticeship training;
- A strategic immigration policy and improved recognition of foreign credentials; and
- Further subsidies and tax credits for apprenticeships.

There has been an increased focus on several of these issues over the past four years, and we are seeing decent results. However, one area that needs attention immediately is what we call classic trades training. High school classic trades and shop courses are declining at an alarming rate in Ontario. The situation is such that some are calling the 70 per cent of kids that do not attend post-secondary education "the lost 70." This trend needs to be reversed.

An ideal education system would improve the knowledge flow in both directions so that we are better equipped to draw on the untapped potential resident within our colleges and universities, especially the incredible scientific resources.

In my view, we should also take a hard look at the process for awarding research grants. A good solution might be to tie a portion of university research funding to industry sponsorship and the real economic advantage of a new technology or product.

Fortunately, both the provincial and federal governments have moved human resources to the top of the agenda. A number of these issues and questions were discussed at length at the most recent CAPC meeting and I'm pleased to report the group emerged with several good answers that should have an immediate impact. The biggest step is almost $15 million in annual funding from the provincial government for automotive education at our universities.

When it comes to the future of the automotive business in Canada, one of the most active subjects of debate is government fiscal and investment policy.

Should we compete in the subsidy war? Should we match the incentives being offered by the southern states?

Our past governments have been reluctant to do anything that would appear to be a cash incentive. More recently, our governments have begun advocating a "Team Canada" approach that will focus on doing a better job of marketing the government programs and resources already in place.

Certainly marketing our existing advantages is a big part of the solution. There is no doubt we have work to do to raise awareness of Canada as an investment destination for automakers, particularly foreign ones.

In my view, an important part of this process is to assign a dollar value to the huge advantages of doing business in Canada, and then get vehicle manufacturers to recognize that value.

To put forward a truly competitive bid, we still need to make up the difference—the gap between what Canada is offering and what our competitors are offering. And we may need government investment to help close that gap.

Industry has made it clear that we're not asking for one dollar so we can turn it into 20 cents. We're saying: "Give us one dollar and let us turn it into two." Any support we receive has to come with a well-defined payback; it has to have a sound business case.

These funding issues will not be resolved overnight. However, one thing that industry and government have already agreed on is a jointly developed strategic vision for the industry, a roadmap for the future.

In addition to these short-term issues, any plan for our industry should consider how to address longer-term issues such as the potential shift to alternatively fueled vehicles. It should also look at ways to capitalize on the many growth opportunities within our reach, such as strengthening our ties with the car companies from Asia and Europe. The award of the highly anticipated Lexus RX 330 to Toyota Cambridge—the first plant outside Japan to manufacture a Lexus vehicle—is an excellent example of what Canada can achieve.

The success of this roadmap is critical, because there is no denying our industry is facing some very stiff challenges.

Protecting our existing assembly plant jobs and investments should be our first task because if an assembly job goes, eventually so too will the other jobs and economic benefits tied to it.

We also need to attract new assembly capacity to Canada. While the dual advantages of a low dollar and free health care may have worked in the past, they are being decisively trumped today. The simple fact is the country can't compete without government investment.

The future of the industry in Canada is also strongly tied to our ability to innovate. From a supplier perspective, we must continue to turn out unique products and technologies on a low-cost basis if we are to maintain our status as a global leader.

This objective relies on a determined effort to address the shortage of skilled trades and other labour market concerns I outlined. As with all key issues, this will require the close co-operation of industry and government.

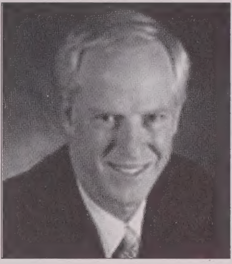
The positive news is the wheels are in motion. We have strong public commitments from both levels of government and momentum for reform, led by CAPC.

What we need now is a much greater sense of urgency and, more than anything, results if we are to insure long-term prosperity for our industry, for our province and for our country.

Thank you.

The appreciation of the meeting was expressed by Rev. Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada.

Robert Dechert, Partner, Gowling LaFleur Henderson LLP and Director, The Empire Club of Canada and Rev. Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada.



December 4, 2003

Frank A. Dunn

President and CEO, Nortel Networks

BUSINESS WITHOUT BOUNDARIES

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Robin V. Sears, Director, The Empire Club of Canada; Edward Lucarelli, Grade 11 Student, De La Salle College; The Rev. Vic Reigel, Christ Church, Brampton; Albert Hitchcock, Chief Information Officer, Nortel Networks; Doug Beatty, Chief Financial Officer, Nortel Networks; Bruce Rothney, Deputy Chair, RBC Capital Markets; Lou Natale, Sales Director, Nortel Networks and Director, The Empire Club of Canada; Dr. Frederick L.R. Jackman, CStJ, LLD, President, Invicta Investments Incorp. and Past President, The Empire Club of Canada; and Gord Nixon, President and CEO, RBC Financial Group.

Introduction by John Koopman

Daedalus, a Greek, was exiled to Crete after having murdered his nephew. On that island, in the service of King Minos, Daedalus built the famous Labyrinth of Crete designed to imprison the dreaded Minotaur, a monster, which was half-bull and half-man. There was a woman involved, but Daedalus essentially gave the secret of the Labyrinth to the King of Athens who then used that knowledge to slay the Minotaur. This so engaged King Minos that he imprisoned both Daedalus and his son Icarus in the Labyrinth.

Daedalus and Icarus ultimately escaped by constructing wings from feathers and beeswax and flying out of the Labyrinth. Daedalus had urged Icarus to neither fly too low lest his wings touch the waves, nor too high lest the sun melt the beeswax. Icarus failed to heed his father's advice, and in his exuberance flew too close to the sun and of course crashed when the beeswax melted and the wings fell apart.

In those helter skelter days of 1999 and 2000 when we thought the Internet would change the world in the next quarter, we collectively drove up the price of all Internet-related stocks to what in retrospect were unreasonable levels. In our exuberance many of us flew too close to the sun and not surprisingly, like Icarus, most of us crashed.

All of us share some complicity for the madness of those days. As Charles McKay wrote 160 years ago in his book entitled "Extraordinary Popular Delusions and the Madness of Crowds": "Communities, like individuals have their whims and peculiarities, their seasons of excitement and recklessness. Men think in herds, and they go mad in herds."

The Internet bubble we saw was at its core no different from Holland with her 17th-century tulip craze, France with her 18th-century Mississippi madness, or England with her South Sea Bubble.

Heracles eventually found Icarus's body and buried it on the island of Icaria on a promontory jutting out into the Aegean Sea. This might also be a good burial spot for many of my Internet stock certificates.

Nortel, however, like the mythical Phoenix is rising from the ashes of the Telco collapse and is again flying to the front, once more a thought leader in a telecommunications industry that shows every sign of rebounding. Nortel is playing offense again and is more focused on research and development than it has been for many years.

Mr. Dunn is the President and CEO of Nortel Networks. When he joined what was then Northern Electric as a management trainee in 1976, the company had only about $1 billion in revenues and was essentially the in-house equipment manufacturing arm of Bell Canada. Total revenues today are in the $10-billion range. He is a CMA and has a Bachelor of Commerce degree from McGill.

Please join me in welcoming Frank Dunn to the podium of the Empire Club of Canada.

Frank Dunn

Good afternoon.

Thank you for providing me the opportunity to share with you our perspective regarding the global impact of today's telecommunications industry.

There are profound implications for both business and consumers—here and abroad. And specifically what does it mean for Canada on the world stage?

While globally the industry has been facing significant challenges during the past three years, telecommunications continues to advance as a significant and positive disruption for businesses, markets and governments worldwide. These technological discontinuities are as significant as previous advances such as digital, wireless and optical.

To underline the increasing social, political and economic importance of this industry globally, let me begin by outlining the three significant dynamics at play.

Accelerated Impact

First, industry impact is accelerating.

The shift from traditional wireline to wireless is advancing as globally, over the last year, mobile subscribers were up 20 per cent compared to last year. In Mainland China, alone, there are on average approximately four million new wireless subscribers each month. The number of wireless subscribers in India has more than quadrupled in the past three years, and Russia's subscriber base has increased more than tenfold.

There are approximately 90 million broadband subscribers worldwide with almost one-third of them based in Korea and Japan.

And network traffic continues to grow, driven by data. For example Internet traffic is expected to have grown at around 85 per cent in 2003.

There is also an ongoing proliferation of products that connect to the Net from more advanced PDAs, to MP3 players, digital cameras and household appliances helping to drive Internet subscriptions up approximately 20 per cent globally.

They are also working to change human behaviour. The young daughter of one of our employees regularly asks her mother to make calls on her laptop because her mother uses a laptop as her phone. VoIP technology is the enabler and that is all her daughter has ever known.

Productivity Dividend

Second, telecom investment can provide a productivity dividend, meaning productivity improvements at a comparatively low cost. In North America today we are experiencing an increase in economic output without an increase in labour needs.

Labour productivity in the U.S. grew at an annual pace of 1.4 per cent in the 1980s, 1.9 per cent in the 1990s and 5.4 per cent last year. Yesterday, in fact, the U.S. Labor Department announced the most significant productivity improvement in 20 years. This continued improvement is partially attributable to a faster pace of technological change and innovation, seeded by earlier improvements, R&D spending and patent activity.

This productivity improvement is further seen in emerging markets. For example in Turkey the total factor productivity, which reflects increases in productivity in technological improvements, has accelerated from an average of 0.5 per cent in the 1990s to approximately 4.7 per cent in the last two years.

Emerging Markets

Third, these advances allow emerging markets and developing countries to leapfrog over traditional industry cycles, delivering a profound social, economic and political impact.

In October, we attended Telecom 2003 in Geneva, a global conference of telecommunications leaders and an initiative of the United Nations. The UN believes that in today's world accessible telecommunications is now a human right on the same footing as health care and literacy. Consider this: currently 62 per cent of North Americans have Internet access. That number is less than 1 per cent in Africa. What might the impact of that statistic mean to Africa's future?

At the same time let me offer another example. In India there are many remote farming villages without phone services. Certainly limited Internet service. Recently an entrepreneur introduced a "mail bus" which travels from one community to another. The bus simply picks up and delivers data from Internet kiosks and cafes in the villages as it moves through the countryside. Villagers use the kiosks for accessing their e-mail addresses and surfing the Net.

What has this meant? Obviously the ability to access current technology, but more profoundly for them greater control over crop disease as these remote farmers are able to consult with urban, university agricultural experts via the Internet, and more effective price setting for crops as farmers communicate with each other easily regarding weekly market conditions.

In the past, emerging economies experienced the same decades-long industry cycles in traditional sectors like mining and manufacturing, as we did in North America. That will not be the case with telecommunications. New technologies are enabling these countries to skip over what were major milestones in conventional cycles.

Countries like India believe that a robust and reliable telecommunications infrastructure will be a significant tool for increasing their prosperity, attracting foreign investment and driving economic and social change. And, they are not burdened by legacy network investments, meaning they are moving quickly to highly affordable state-of-the-art technologies.

Consider that telecommunications currently represents approximately 4–5.5 per cent of GDP in emerging markets. In Canada it is currently 3 per cent.

These countries have passion and imagination. India recently installed a complete Optical network in six months. The normal amount of time would be approximately 12 to 18 months.

It is also worth noting that both China and India are now graduating more computer engineers than the U.S.

Consider the potential of that passion and imagination, coupled with an increasingly well-educated population and state-of-the-art technologies.

Broken Business Model

But there are challenges.

All of this data traffic travels on public and private networks which are becoming increasingly compromised as traditional business models come up short.

Data traffic is increasing dramatically without a proportional increase in revenue being generated by service providers. At the same time historical voice communications do not generate sufficient revenues for service providers to cover the costs of reinvestment in upgrading and enhancing existing networks.

Globally carriers are facing increasing volumes and mounting operating costs. Their challenge is to keep capital outlays down while maintaining or increasing revenues and driving out costs. But when you see your revenue going down and costs going up, the margins go away and that's the wrong way to go.

If you're an enterprise, to a great extent you don't see the productivity improvements from the networking capability that you need in order to drive substantial new network investment.

The solution? In Canada, we need to expand our imagination and embrace new business models.

The Transformed Network

For us that means ensuring today's public and private networks are transformed; becoming more powerful, with a multipurpose infrastructure to deliver rich new network services and manage escalating traffic. At the same time they must deliver increased user productivity and cost efficiencies.

How do we see network transformation unfolding?

We see smarter, more intuitive private and public networks that are always on, accessible from anywhere offering both voice and multimedia, but also enjoying convenience and cost economies.

We see data and voice becoming ubiquitous network properties.

Networks will be characterized by a common language, interoperability and no access barriers.

The boundaries between private and public, wireline and wireless, voice and data networks disappear.

What does this all mean for businesses? Total customer re-engagement.

Much of today's communications are impersonal but that is based on our imagined limitations as to what current technologies can deliver versus the actual reality.

Today's technologies are simpler for the user, with this simplicity and intelligence built right into the design so the end consumer does not have to deal with complexity—and security and personalization are ensured rather than premiums.

Through transformed networks, you can reach out to your customers, using these integrated technologies to provide them with the information they need or want, how and when they want and to differentiate your company from your competitors.

Within your companies, you can have one phone number that follows you and each of your employees and one e-mail address where you and they can always be reached. Work becomes "what you do, not where you go."

In short it means business without boundaries.

Business without boundaries gives companies the potential to grow in new directions and enjoy unprecedented flexibility and customization and the opportunity for more direct customer engagement.

Imagine customer relations models that enable you to appear to anticipate customer needs and adapt to customer preferences regarding, time, and place or channel instantaneously.

For example, today if you waiting at the airport and your flight is cancelled passengers have to re-enter the line and wait impatiently while two or perhaps three service representatives work hard to serve lines of irritated customers.

Existing network technologies can allow airlines to automatically rebook the customer's flight for a later date and immediately send the confirmation to the passenger's preferred device—be it a cell phone, PDA, home phone or laptop, all within the space of a few minutes wherever she is in the world.

As the barriers to efficiency, productivity and growth are removed, new ways of doing business and growth opportunities will continue to emerge.

Think of the possibilities for businesses, government agencies or municipalities if you are now able to increase the number of customer touch points and channels and link multimedia with call agents, link mobility with commerce, link e-commerce with entertainment and implement location-based services and advertising.

Within the financial-services sector there is a move to buying managed services compared to buying technology. Enterprise customers are often doing this in parallel or in conjunction with outsourcing computing companies. These partnerships buy a managed network service paying only on a per-port usage basis. This allows the financial-services enterprise to focus on core banking initiatives and applications, avoiding investment of capital into basic infrastructure. By focusing on advanced applications, these enterprises have been able to roll out leading edge CRM tools to provide higher levels of customized customer services.

And, like you, Nortel Networks is also competing for superior talent. Employees desire choice, flexibility, mobility and pride. They also want management, processes and tools that encourage collaboration across functions, time zones, cultures, time and place.

The "Net Generation" of future employees who have grown and learned with the potential of the Internet will demand mobility, flexibility, security and choice in their work environment, and therefore from the transformed network.

Business without boundaries allows for talent acquisition and market presence regardless of geography. A worker from Yellowknife is suddenly as competitive and accessible as a worker in Toronto or Istanbul. Today's network technology could enable job candidates anywhere in the world to participate in video recruitment interviews at kiosks in shopping malls, libraries or government employment centres.

It is also creating new careers. Health infometrics is the study and application of new technologies in the healthcare field. In facilities like Mount Sinai, the advancement of eHealth promises enormous benefits, not only in how care is delivered but in how it is received, how research is conducted, how educational opportunities are extended, how costs are managed and how consumers can keep themselves healthy through easier access to more information.

It may also no longer be necessary for enterprises to acquire real estate in booming, expensive market locations. Likewise it may no longer be necessary to locate buildings/hubs in geographical centres of expertise, particularly for those of us in the knowledge-based industries. Also, more telecommuters may also lead to less air pollution and fewer highways to build and maintain. Good news for both taxpayers and the environment.

More efficient networks also mean more efficient communication, helping to eliminate the obstacles to doing business with consumers, partners and conducting internal operations.

Telephone pole repairmen are now equipped with wireless technology, including a communication jacket and specialized eye piece that connects to their trucks which retrieves service information on what they need to fix while they are up a pole—rather than climbing up and down the pole numerous times for reference. This network technology makes their jobs easier, safer and more productive.

At Nortel Networks, over a third of our work force is equipped to work remotely. That number is increasing daily due to employee demand and our ability to support an effective, seamless virtual working environment for these telecommuters without impacting productivity but rather increasing it.

This is critical when you think that today's enterprise is characterized by optimized work forces with niche expertise being outsourced. There are fewer layers, increased spans of influence and more collaborative teams that come together for a specific purpose and then disband.

Also, this type of environment provides for increased business continuity contingencies.

For example, during the August power outage Nortel Networks employees based in Ontario and the Eastern U.S. were able to maintain close-to-normal productivity levels and customer engagement because so many of our employees are enabled to work outside a traditional office environment, due to the strength of our network and the ubiquity of laptops, WLAN, broadband access and VoIP.

In another example, following September 11, "mission critical" financial agencies like the Bombay Stock Exchange and the Securities Industry Automation Corporation, the technology subsidiary of the New York

Stock Exchange, are using new network technologies as a distinct tool against natural disaster or terrorist attack. These technologies greatly reduce the risk of a long-term outage and prompt quick recovery from service disruptions helping to ensure the stability of global financial markets.

The Road Map

So how do we ensure that the Canadian business environment can transition to this new world?

In Canada we have a significant heritage as a global telecommunications leader. Canadians and Canadian businesses enjoy one of the world's most sophisticated, accessible and reliable telecommunications systems.

But how many of you here this afternoon think of your own communications network as a critical business tool, a competitive differentiator or an effective revenue generator?

As I said at the beginning, the global communications industry is becoming aligned around the vision of network transformation. The process is well underway. It's just a question of pace.

We would however offer the following perspective regarding the road map for success:

First, an appropriate level of enterprise investment that enables the continuous introduction of technologies, focused on delivering operational efficiencies and customer opportunities for revenue generation and service offerings.

Second, an educational system that produces innovators, allowing our industry to consistently deliver those new technologies.

And thirdly, a regulatory and policy environment that is appreciative of a quickly globalizing business environment coupled with rapidly advancing technologies.

Let me leave you with some thoughts on that last point.

We are at a profound inflection point. Regulators globally are wrestling with these issues particularly as new technologies like the Internet challenge the definition of national or political boundaries. For instance, how do you regulate residents in New York who receive their phone service from a company in Hong Kong—possible now because of VoIP?

Over the years Canadian regulation has always been able to adapt to the impact of new technologies and structural changes in the market for communications services.

Throughout, Canadians have benefited by a regulatory approach that has protected the public interest but has not constituted an impediment to investment, innovation and growth.

At Nortel Networks, we support regulation that's equitable, ensures a market return for investment, and is applied consistently. Consistency in application, known as regulatory certainty, is essential if service providers in Canada are going to make multi-year commitments to invest capital in next-generation communication infrastructure.

As a technological leader, we are also working hard to educate regulators and policy makers around the world about the dramatic business and social impacts of the technologies I've spoken about today.

I challenge all of you today in both government and industry to use telecommunications to move beyond incremental benefits to complete transformation.

As the world becomes more global, converged networks will be a key competitive differentiator in driving customer re-engagement, personalization, productivity and effective cost management.

Thank you for the opportunity to share our perspective. We are excited by the future, the challenges it brings and the opportunity to continue to represent Canada globally as a telecommunications leader.

The appreciation of the meeting was expressed by Lou Natale, Sales Director, Nortel Networks and Director, The Empire Club of Canada.

Edward P. Badovinac, Member, Royal Commonwealth Society, Toronto, Director, The Empire Club of Canada and Chairman, The Empire Club of Canada Yearbook, The Most Reverend Terence E. Finlay, Archbishop of the Ecclesiastical Province of Ontario, Archbishop of the Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada, The Hon. James K. Bartleman, OOnt, Lieutenant-Governor of Ontario, Jocelyn Badovinac, UE, MEd, DH, Specialist in Special Education and Archivist, The Empire Club of Canada and Dr. Reginald Stackhouse, MA, LTh, BD, PhD, DD, Principal Emeritus and Research Professor, Wycliffe College, University of Toronto and Past President, The Empire Club of Canada.

December 17, 2003

Valerie Pringle

Journalist and Broadcaster and National Spokesperson, Canadian Federation for AIDS Research

CHRISTMAS LUNCHEON SEASONS GREETINGS FROM THE HON. JAMES K. BARTLEMAN, LIEUTENANT-GOVERNOR OF ONTARIO

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

David Edmison, Chair, The Empire Club Foundation, Past President, The Empire Club of Canada and Chair, Community Service Award Committee; Diana Buck, Community Member and Volunteer, The Young Street Mission; David Adcock, Managing Director, The Young Street Mission; Dwight Johnson, Community Member and Volunteer, The Young Street Mission; Sue Cox, Executive Director, The Daily Bread Food Bank; Erika Klein, Community Member, Volunteer and Board Member, The Daily Bread Food Bank; Rev. Edward Jackman, Member, The Empire Club of Canada; Major William A. Duncan, CD, Honorary Director, The Empire Club of Canada and Retired Chief of Personnel, Canada Post; Rod Shaff, Board Member, The Make-A-Wish Foundation of Toronto; Michael Seccareccia, 'Wish Child," The Make-A-Wish Foundation of Toronto; R. Doreen Seltzer, 2003

Recipient of The Empire Club of Canada "Community Service Award" and Chair, The Seltzer-Chan Pond Inlet Foundation; and George L. Cooke, President and CEO, Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

Introduction by John Koopman

Your Honour, Reverend Sir, distinguished head table guests, past presidents, members and guests of the Empire Club of Canada, welcome to our special Christmas luncheon in honour of community service and volunteerism. It is my pleasure to be able to introduce to you our honorary chair for the luncheon today, Ms. Valerie Pringle. Most of you will know Ms. Pringle as a very respected and well known broadcaster and journalist. But she is more than that. She is also a volunteer. She's won the Variety Club Diamond Award for her contributions as a volunteer in a wide variety of charitable organizations including the Sunnybrook Health Centre and the United Way. She's the honorary spokesperson for the Canadian Foundation for AIDS Research, honorary spokesperson for the Canadian Prostate Cancer Research Foundation, she's on the board of Trans Canada Trail and is honorary co-chair of the Ryerson University Invest in Futures Campaign. There's obviously no rest for the wicked.

When I see a glass of water I tend to think of it as half empty. I know most of you are better than me so you think that the glass is half full. When Ms. Pringle sees the glass she just asks who is thirsty.

She is an impressive role model and an impressive community citizen. Ladies and gentlemen, please join me in welcoming Valerie Pringle to the podium of the Empire Club of Canada.

Valerie Pringle

Thank you very much. It is lovely to be here today because, as was explained to me, this is a bit of a diversion from the usual Empire Club fare. The Christmas lunch has evolved into one that celebrates community and excellence in service and that really appealed to me. That and the fact that whatever words you were to hear from me were to total no more than about four minutes seemed very attractive and I'm delighted to be here along with His Honour and this wonderful head table.

It's very important that you pay attention to who is here and what they do. We want you to listen to the names of all these people and what they do and applaud each one.

I will go through the names and introduce them to you now. (Head table guests are introduced.)

We are celebrating all these wonderful people and great community servants and all this public service, but one of the things I wanted to talk about was the opposite of that. I read in the paper a couple of years ago that ambulances in New York City were having a hard time getting people to hospital because drivers were no longer pulling over readily when they heard the sirens. I remember thinking that it was staggering and it was disgusting. I have actually seen it happen here—people sitting in their cars with their lattés or their phones or switching disks indicating their life was more important. It is horrifying but very emblematic.

I think we live in a very selfish society and this is yet another canary in a mine shaft that's keeling over. Whether it is that we are in such a hurry or we're busy or people are not out for anybody except themselves, whatever the reason or the excuse, I think the result is the same. There's a problem with our society in its selfishness. I think it is particularly disappointing for those of us who are of baby-boomer age because we thought that when we were young we would really make a difference. I think we loved the idea of the just society, we loved the idea of living in a country where you asked what you would do for that country—peace and love and all that—and that has not come to pass.

We venerate and almost romanticize the contributions made by our parents and grandparents and their sacrifices during the Depression and the Wars. And yet we've done without nothing as a generation. Along the way we've also inhaled resources; just sucked them up. You look around and you think whatever happened to the idea of a green world and saving the planet. More of our generation focuses on their bank accounts, themselves, getting by and doing well in their tax shelters, while the gap between rich and poor in our communities and in the world has grown larger and larger. I think that is immoral.

While we are celebrating service here, and there are so many examples of people who do terrific work, the fact is that we have to stop this. We have to change. We have to pay more attention to the ambulance sirens and the cries in the night. We have to as citizens give more time or money or both, whatever we have a little of, and do a better job of looking after each other. It is not the government's job. We have to change our attitudes about what's important and what's urgent and surprise, surprise, it isn't us.

The problems in our community, and all these people who work in the community will know, are massive. If you look at the wider world, which is even more troubled, the problems can seem overwhelming and massive. Here we are having this lovely lunch in this wonderful country in this great city and we, who are able to help, are the lucky ones.

In giving we receive. That is a pretty obvious statement but we have to learn it anew. It was wonderful talking to my 16-year-old niece at a family Christmas party who learned this for the first time—the power of one. She had taken part in that magnificent breast cancer walk with her mother and saw what could be accomplished. She was one little 16-year-old kid and she could raise some money and make a statement.

Maybe this is sort of lame but it is the week "Return of the King" opens and you can be reminded of what Galadrial said to Frodo which is that even the smallest person can change the course of the future.

So I would at this time of year remind us all to recommit our energies, our ideas, our money and our time to help each other, make a contribution and make the world a better place. Thus endeth the lesson.

It is my distinct honour to introduce His Honour, the Lieutenant-Governor, the 27th lieutenant-governor of Ontario, James K. Bartleman. He was born in Orillia, grew up in Port Carling, and is a member of the Mnjikaning First Nation. He has been our lieutenant-governor for just less than two years focusing on three particular areas—mental health, anti-racism, and support for aboriginal communities, particularly young people. I'm really hoping he'll tell us about his books because I was hearing about them at lunch. Ladies and gentlemen, the Lieutenant-Governor of Ontario—the Honourable James K. Bartleman.

James Bartleman

Thank you very much Valerie. Good afternoon.

Mr. Koopman, distinguished guests, ladies and gentlemen, I'm really happy to share the platform today with Valerie. Valerie made some very good and eloquent points about one aspect of human character and personality. I'm a Manichean. I believe that there's good and bad in everybody and it's part of our responsibility in life to focus on the good part, both as individuals and as members of society and nations.

I don't know how that goes down in your theology Father, but Bishop Tutu was expounding on this to me when he was trying to explain how there could be such evil in South Africa for so many years. After Mandela came in, the same people were able to switch to being positive and the good came forward.

Valerie talked very eloquently and truly about the indifference, the dark side of humanity and the need for us to re-dedicate ourselves to helping our fellow citizens, not just at Christmas I'm sure but all the time.

From my perspective as lieutenant-governor, I suppose I have been exposed more to the good side of society. Maybe it is because I have the OPP driving me, but whenever we put the siren on everybody pulls over to one side. The two years I've been lieutenant-governor has been a wonderful experience of meeting so many wonderful people and I don't say that from the Voltaire perspective, that everything is for the best and the best of all possible worlds as people are being flayed alive around you, but from my experience in life as well.

It is so great to be here at this table with people who are helping their fellow citizens. When I grew up, my father told his children often of his days as a hobo in the Depression. My father left home in Orillia when he was 14 because the relief payments were not enough to feed the whole family and he said it was not a romantic life despite the books that have been written about travelling across Canada, riding the rails, getting off in the hobo junctions, knocking on doors, and asking to cut up wood to get a sandwich. He said it was a terrible time—a desperate struggle for survival—and the beacons of hope back in the thirties were going to a police station and the policemen taking him and other young boys in and giving them something to eat and letting them sleep in the cells, coming to Toronto and going to the various missions and getting a square meal. His favourite place was a monastery near Ottawa where they always handed out very good apples and things like that.

To a great extent he survived on the charity of his fellow citizens and charity was not just a one-way thing, with my father and people like him accepting and the others giving. Both gained. I noticed that very much when I served as Canadian acting high commissioner in Bangladesh back in 1972. I had not been exposed to the Muslim faith before then. I noticed that, at a certain period of the Muslim year, it was the right of the disinherited to obtain charity and both sides understood that the giver gained as much as the person who received. Whether it is one person to another, one community to another or one nation to another, both sides win. I think in theology that is recognized and in psychology it is recognized and we know it in our hearts.

We saw that to a great extent in our province last year with the SARS crisis and the blackout. None of us will forget the people who went into the streets to direct traffic without being asked and the many acts of kindness that took place. Before the CBC went off the air during the blackout, the last thing the announcer said was that we would probably be engulfed in a tidal wave of rioting and all the rest. And then nothing happened. The city went into pitch blackness and yet there was no outpouring of rioting in our city. People were disciplined and people were helping each other.

I'd like to celebrate that generosity of spirit and I'm so happy to be at this head table here with people from the Young Street Mission, who have 500 volunteers to help people of all ages who are in need of food, shelter, jobs and counselling. The Daily Bread Food Bank, where volunteers distribute donated food to smaller agencies that serve, as Valerie has said, 160,000 a month, many of them children. And it is true that it does reflect a great failing I suppose of our government and society that this has to come to pass and there is a growing gap. With globalization we have found that in fact there has been a great growing gap in the world, not just in Canada, between the top 10 per cent and the bottom 10 per cent of our populations.

But we are not going to solve that problem here. What we can do is show solidarity to organizations like the Young Street Mission, the Daily Bread Food Bank, the Make-a-Wish Foundation and other organizations that are too many to be mentioned. I'm very proud to attend many of their events around the city.

Having lived on six different continents around the world I think that we really do very well here in our province. People I've met over the last year include a teacher who returned to his troubled inner-city neighbourhood here in Toronto to help students overcome obstacles; a couple who provide respite and long-term care for developmentally challenged members of their community; and a doctor in his late eighties who still makes house calls every day and invites lonely seniors to join his family for Christmas. I'm very happy and honoured to meet these people regularly.

I'm very pleased as well that today I shall soon be presenting a community service award to a woman whose generosity has transformed a personal grief into a gesture of hope for the youth of Pond Inlet.

In the course of the past year I have visited up to 30 First Nations communities in Ontario and I can say that some of the communities are thriving, that the communities themselves are in pretty good shape. But in Northern Ontario where there are 52 communities and where there are about 60,000 people, more than 90 per cent of whom are First Nation, it is another situation. That is why I'm asking that you might want to pay some attention to a project that I am launching.

What I noticed in these communities was that there are no roads except winter roads at this time of the year. They are isolated. Unemployment is 90 per cent in many places. There are major problems of getting access to a proper education and health care and all the rest of it. The big thing that I noticed was that when I went into the schools there were no books in the libraries and no books anywhere in the community. They have television satellites where they bring in the worst of the reality programs from the United States and elsewhere but they don't have books.

In the libraries there will be government pamphlets on what is available here and there and I think that is a crying shame because here in Southern Ontario and Southern Canada we have books galore. People put books out to be recycled and people put them in garage sales. They try to find places to put them. Up there there aren't any books and in my view if a child has a book that is really the beginning of the approach to knowledge and possibly the spark, which will take that individual on to a higher education and into being a productive member of his or her community and country.

But that possibility doesn't exist up there and I don't think that is known here. We have too much in the South and not enough in the North, so what I am appealing to Ontarians and anyone listening to this broadcast to do is to send used children's books and young adult books to me, the Lieutenant-Governor of Ontario at Queen's Park, and working with the Ontario Provincial Police and the Canadian Forces we will deliver those books up to the North on winter roads this winter and stock all 52 of those libraries. You probably have books in your basement or elsewhere. Bring them to Queen's Park. We will have a bin there ready for you. In a little way we can also help our fellow Canadians in Northern Ontario.

Valerie begged me to mention my books. The reason I mention these books is that all the proceeds from the first one called "Out of Muskoka" are being given to the Aboriginal Achievement Foundation to help with scholarships for aboriginal youth. All the proceeds from my second book, which is called "On Six Continents," which is going to be published in February, will be going to the University of Toronto to help sponsor a lectureship series on "Shared Citizenship in Ontario." And the proceeds of my third book which deals with foreign policy in the nineties will go to this campaign of mine to provide used books for people in the North.

You invited me for lunch. You didn't know it was going to be a big pitch for a good cause in the company of other people doing similar things. I would like to say how much it has been a great privilege to be here with you today and to share the platform with Valerie. I apologize to her for using her very good theme as a takeoff for my theme—bad and good.

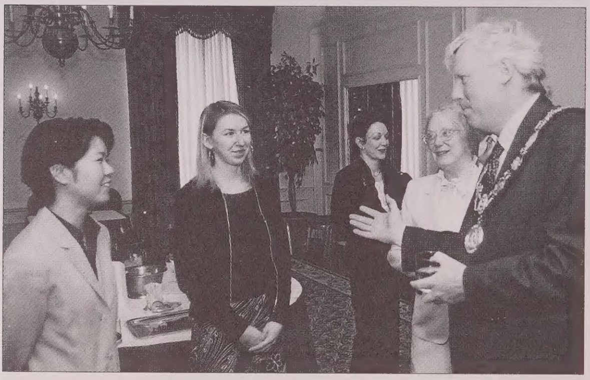
Merry Christmas. Thank you very much.

This was followed by the presentation of the Empire Club's Community Service Award to Doreen Seltzer by David Edmison and a performance by the Toronto City Mission Children's Choir led by choirmaster Dawn Bailey Elbourne.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

R. Dorene Seltzer, Chair, The Seltzer-Chan Pond Inlet Foundation and 2003 Recipient of the Empire Club of Canada "Community Service Award," The Hon. James K. Bartleman, OOnt, Lieutenant-Governor of Ontario and Gareth Seltzer, President and CEO, TWS Canada Group.

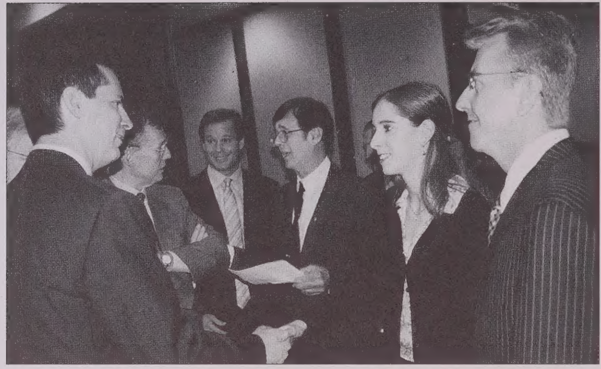
Past Presidents' Dinner, 2003–2004



Kristyn Wong-Tam, Associate Broker, Coldwell Banker Terrequity Realty and Member, Church-Wellesley Village Business Improvement Area, Magda Mostowy, Grade 12 Student, Parkdale Collegiate Institute, Catherine R. Charlton, MA, Principal, Charlton Fundraising Management, Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer and Archivist, The Empire Club of Canada, and His Worship Mayor David Miller, Mayor, City of Toronto.

James Robinson, Chief Mountain and John D. Weston, General Counsel to the Chief Mountain Group.

The Rt. Hon. Paul Martin, Prime Minister of Canada, His Worship Mayor David Miller, Mayor for the City of Toronto and Michael McMillan, Chairman and CEO, Alliance Atlantis Communications Inc. and President-Elect, The Canadian Club of Toronto.



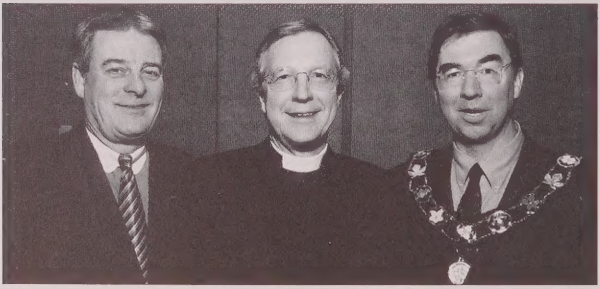
Dalton McGuinty, MPP, Leader, Ontario Liberal Party, W. Edmund Clark, President and CEO, TD Bank Financial Group, Mark Cohon, Member, Board of Trustees, Northwestern University and Member, Board of Directors, Katimavik, Edward P. Badovinac, KH, CET, Past Chairman, The Good Neighbours' Club, Director and Chairman of the Yearbook, The Empire Club of Canada, Ruth Trainor, Grade 12 Student, North Toronto Collegiate Institute and Rev. Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada.

John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada and Dr. Walther Leisler Kiep, Chairman Emeritus, Atlantik Brücke.

The Hon. Joe Volpe, MP, Minister of Human Resources and Skills Development, Government of Canada, Senator David Smith, Counsel, Fraser Milner Casgrain and John A. Campion, Partner, Fasken Martineau DuMoulin LLP and Past President, The Empire Club of Canada.

The Rt. Hon. John Turner, Former Prime Minister of Canada and Partner, Miller Thomson, His Eminence Aloysius Cardinal Ambrozic, Archbishop of Toronto and The Reverend Kimberly Beard, BA, BEd, MDiv, Rector, Christ Church, Brampton and Director, The Empire Club of Canada.

John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada, Jocelyn Badovinac, UE, MEd, DH, Specialist in Special Education and Archivist, The Empire Club of Canada, W. Edmund Clark, President and CEO, TD Bank Financial Group, Gerry Phillips, Liberal Candidate, Scarborough-Agincourt, Edward P. Badovinac, KH, CET, Past Chairman, The Good Neighbours' Club, Director and Chairman of the Yearbook, The Empire Club of Canada and Ravi Seethapathy, President, The Canadian Club of Toronto and Chairman, Engineers Without Borders.

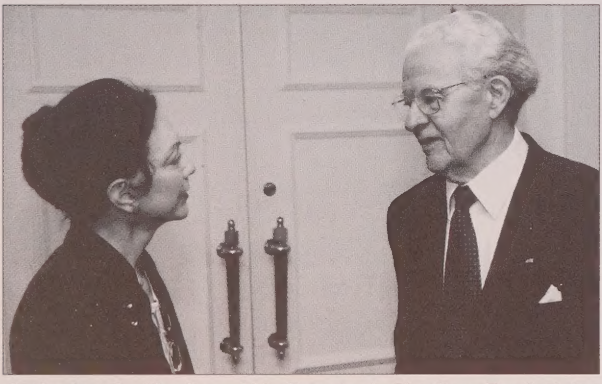


Douglas Swartout, President and CEO, Aon Reed Stenhouse Inc., The Very Reverend Dr. Douglas Stoute, BA, MA, PhD, DD, Rector, St. James' Cathedral and Dean of Toronto, Anglican Church of Canada and John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.

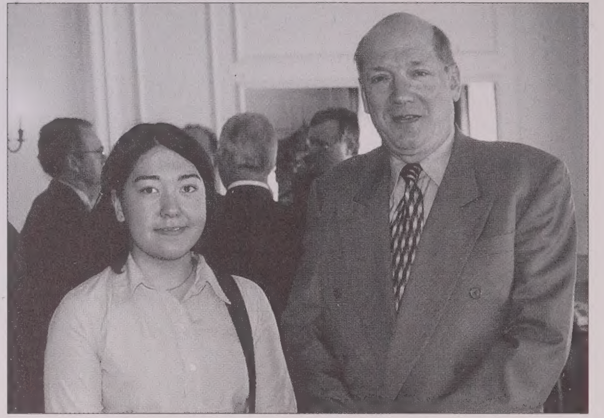
J.A. Wm. Whiteacre, MM, CD, QC, Honorary Director, The Empire Club of Canada and Maj. William A. Duncan, CD, Retired Chief of Personnel, Canada Post and Honorary Director, The Empire Club of Canada.

Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer and Archivist, The Empire Club of Canada, Case Koopman, Presidential Father, John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada, Laura Swan, Grade 12 Student, North Toronto Collegiate Institute, Veteran, Capt. Lloyd G. Queen, MC, KCLJ, OMLJ, Major The Rev. Canon Ken Maxted, OMM, CD, Chaplain, Royal Canadian Military Institute, Ted Barris, Author, Broadcaster and Professor, Veteran, Hal Gooding, Mike Mallott, History Instructor (Ted's elementary teacher), Veteran, Dr. George David Foster, Veteran, Major William A. Duncan, CD, Member of the Argyll and Sutherland Highlanders of Canada in WWII, Retired Chief of Personnel, Canada Post and Honorary Director, The Empire Club of Canada and Edward P. Badovinac, KH, CET, Immediate Past Chairman, The Good Neighbours' Club, Director, The Empire Club of Canada and Chairman, The Empire Club of Canada Yearbook.

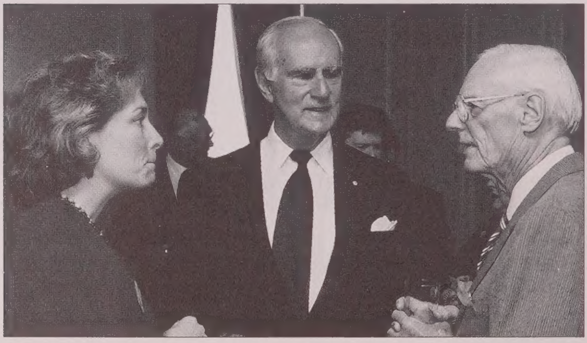
Antoinette Marwitz, Consul General, U.S. Consulate General, Toronto, Timothy J. Hearn, Chairman, President and CEO, Imperial Oil Limited, Dr. Marketa Evans, Executive Director, Munk Centre for International Studies, University of Toronto and Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.



Catherine R. Charlton, MA, Principal, Charlton Fundraising Management and Dr. Edison Quick, Former Secretary General, Council of Ministers of Education, Canada.



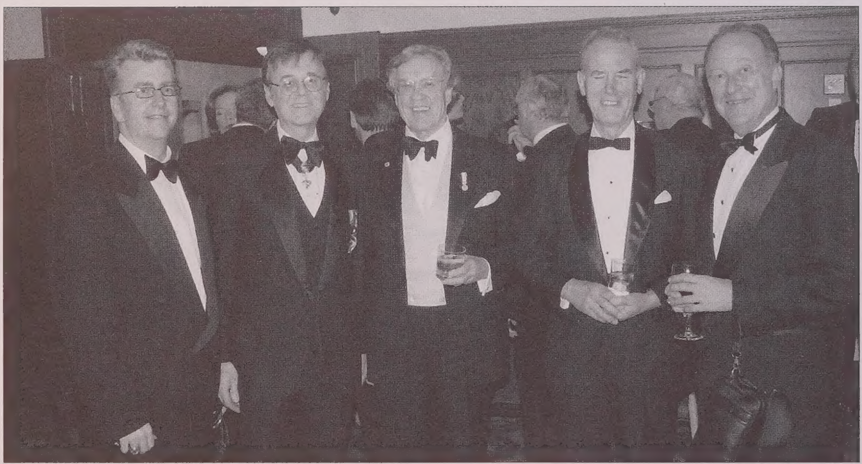
Kumiko Mackasey, Grade 12 Student, North Toronto Collegiate Institute and William G. Whittaker, QC, Partner, Lette Whittaker and 2nd Vice-President, The Empire Club of Canada.



Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada, The Hon. Henry N.R. Jackman, OC, KStJ, OOnt, CD, LLD, Chairman, The Empire Life Insurance Company and Past President and Honorary Chairman, The Empire Club of Canada and Robert M. Macintosh, Author and Past President, The Canadian Bankers Association.

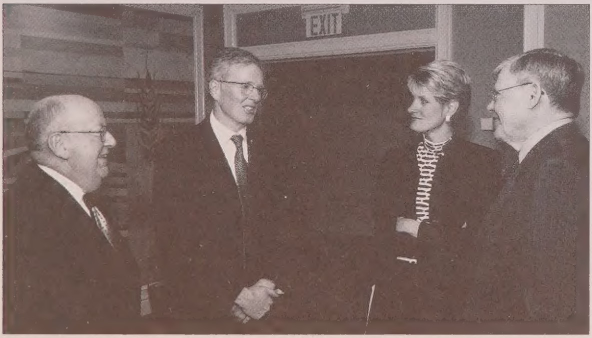
LCol. A.G. (Sandy) Cameron, CStJ, CD, AdeC, Chief Aide de Camp to the Lieutenant-Governor of Ontario and Director, The Empire Club of Canada, Major Sonia Skil, CD, Past Chairman, The Good Neighbours' Club of Toronto and Margaret M. Samuel, MBA, LLB, CFA, Vice-President and Portfolio Manager, Alternum Capital and Director, The Empire Club of Canada.

Rebecca Mendoza, Nurse, Sunnybrook and Women's College Hospital, The Rt. Hon. Paul Martin, Prime Minister of Canada and John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.

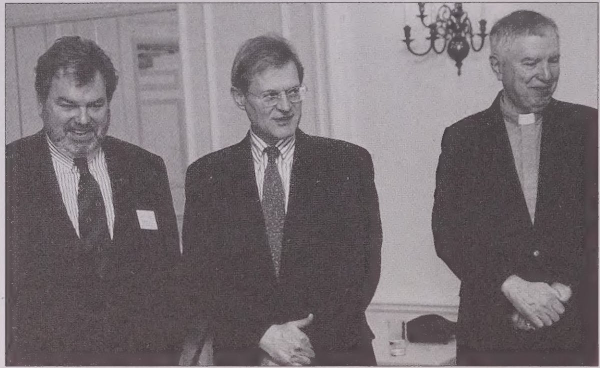


Rev. Dr. John S. Niles, Rector, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada, Edward P. Badovinac, Director, The Empire Club of Canada and Chair, The Empire Club of Canada Yearbook, R. Bredin Stapells, QC, Past President, The Empire Club of Canada, Ronald Goodall, FCA, Past President, The Empire Club of Canada and Bart J. Mindszenthy, APR, FCPRS, 1st Vice-President and President-Elect, The Empire Club of Canada and Partner, Mindszenthy & Roberts Communications Counsel.

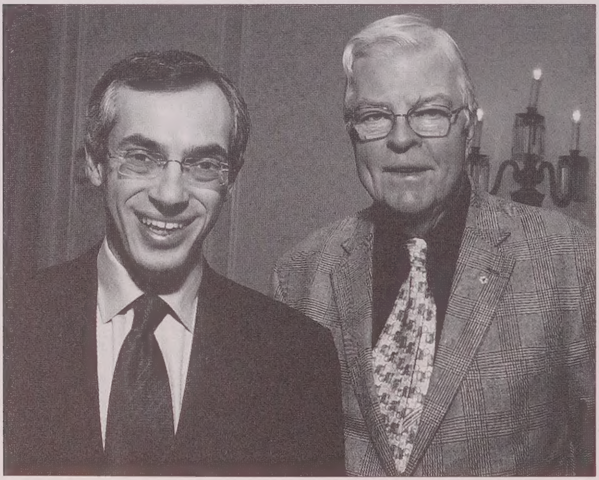
Michael Coates, President and CEO, Hill & Knowlton Canada, John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada and Toby Barrett, MPP, Haldimand-Norfolk-Brant, Progressive Conservative Party of Canada.



Doug Lord, President and CEO, Xerox Canada Ltd., Thomas MacMillan, President and CEO, CIBC Mellon, Verity Craig, Principal, Carmichael Birrell & Co and Director, The Empire Club of Canada and Dave McCamus, Former President and CEO, Xerox Canada Ltd.



Bernd Hochne, Vice-President, Canadian German Chamber of Industry and Commerce Inc., Dr. Klaus Rupprecht, Consul General, Consulate General of the Federal Republic of Germany and Rev. Vic Reigel, Honorary Assistant, Christ Church, Brampton.



Tony Clement, Speaker and Guest of Honour and The Hon. John Crosbie, Chancellor, Memorial University of Newfoundland.

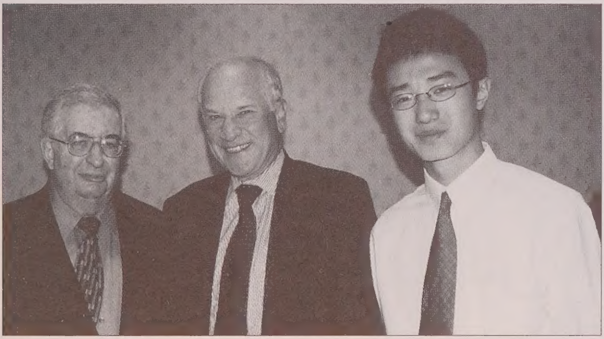
Peter Mansbridge, Chief Correspondent, CBC News and John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.

Margaret McMillan, BPhil, DPhil, Provost, Trinity College, University of Toronto and Author and Winner of the Governor General's Literary Award for "Paris 1919," The Most Reverend Michael G. Peers, Primate, Anglican Church of Canada, Jocelyn Badovinac, UE, MEd, DH, Specialist in Special Education and Archivist, The Empire Club of Canada and Rev. Anthony Jemmott, Incumbent, All Saints Anglican Church, King City.

Case Koopman, Presidential Father, Mary Koopman, Presidential Mother and John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.

Allan Fotheringham, National Syndicated Columnist and Author, Anne Fotheringham, Owner, Fotheringham Fine Art, Director, The Canadiana Foundation and Director, The Empire Club of Canada, John A. Campion, Partner, Fasken Martineau DuMoulin LLP and Past President, The Empire Club of Canada and Dalton McGuinty, MPP, Leader, Ontario Liberal Party.

Monica Hinds, Recipient, Minds in Motion Bursary, Justin Eves Foundation for the Learning Disabled and Student, University of Toronto, Jocelyn Badovinac, UE, MEd, DH, Specialist in Special Education and Archivist, The Empire Club of Canada and Delores Lawrence, President and CEO, NHI Nursing and Homemakers Inc.



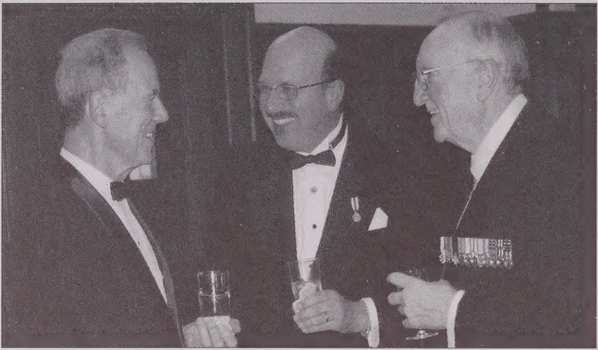
Rabbi Perry Cohen, Facilitator, Teacher and Author, Robert L. Brooks, Senior Executive Vice-President, Treasury and Operations, Scotiabank and Past President, The Empire Club of Canada and Hanchu Chen, Grade 11 Student, North Toronto Collegiate Institute.

His Eminence Aloysius Cardinal Ambrozic, Archbishop of Toronto, Dr. Reginald Stackhouse, MA, LTh, BD, PhD, DD, Principal Emeritus and Research Professor, Wycliffe College and Past President, The Empire Club of Canada and The Most Reverend Terence E. Finlay, Archbishop of the Ecclesiastical Province of Ontario, Archbishop of the Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada.

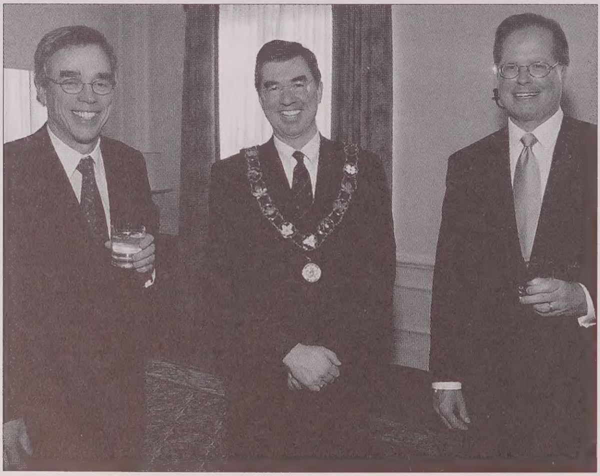
Thomas C. Reed, Former Director of National Reconnaissance, Former Special Advisor to President Reagan and Former Secretary of the U.S. Air Force, Mrs. Kay R. Reed, Wife of Thomas C. Reed, Anne Fotheringham, Owner, Fotheringham Fine Art, Director, The Canadiana Foundation and Director, The Empire Club of Canada and Allan Fotheringham, National Syndicated Columnist and Author.

Dr. Sheela Basrur, Chief Medical Officer of Health, Province of Ontario, George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada and Dr. Lawrence Erlick, President, Ontario Medical Association.

Ravi Seethapathy, President, The Canadian Club of Toronto and Chairman, Engineers Without Borders, Terri McGuinty, Elementary School Teacher, Dalton McGuinty, MPP, Leader, Ontario Liberal Party and John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.

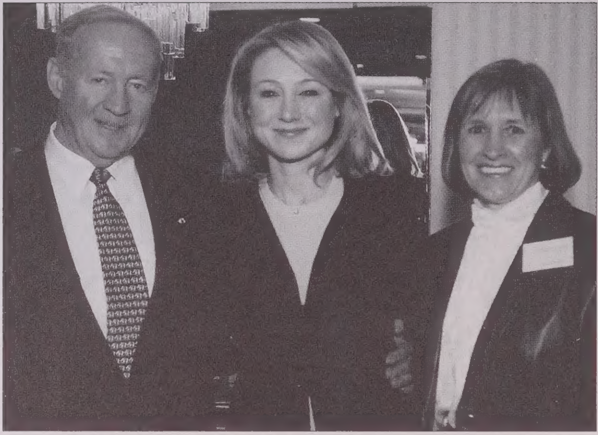


Ronald Goodall, FCA, Past President, The Empire Club of Canada, Peter Hermant, Past President, The Empire Club of Canada and MGen. Reginald W. Lewis, CMM, CM, CD, Past President, The Empire Club of Canada.



Joseph J. Oliver, President and CEO, Investment Dealers Association of Canada, John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada and William F. White, President, IBK Capital Corp.

The Hon. William G. Davis, PC, CC, QC, Counsel, Torys LLP and Honorary Solicitor, The Empire Club of Canada and Rick Hansen, CC, OBC, Founder, President and CEO, Rick Hansen Man In Motion Foundation.



The Hon. Elmer Mackay, Former Solicitor General of Canada, Belinda Stronach, Speaker and Guest of Honour and Val Meredith, MP, South Surrey-White Rock-Langley.

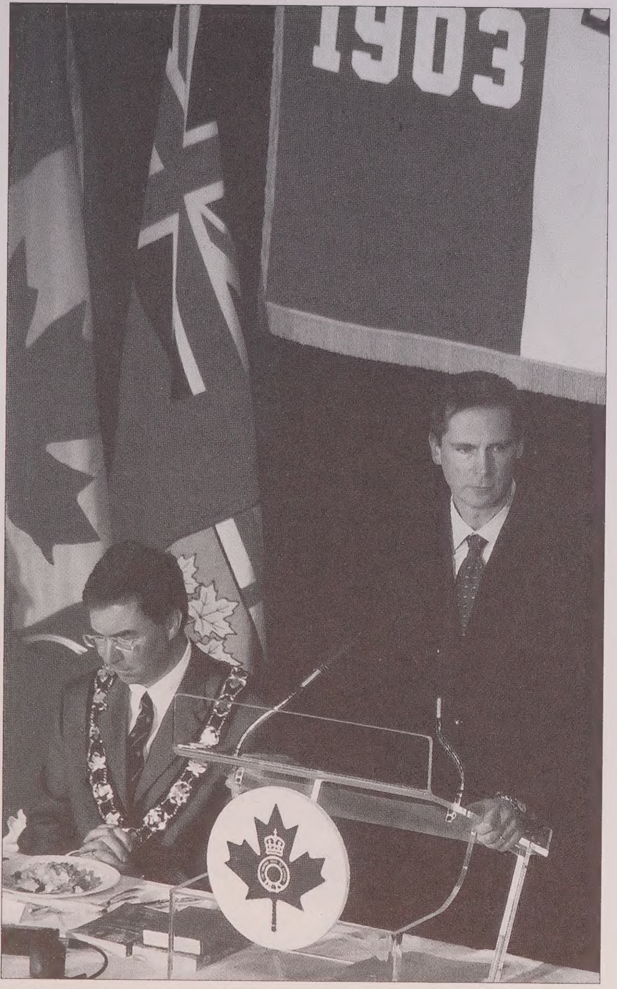
Timothy J. Hearn, Chairman, President and CEO, Imperial Oil Limited, John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada and Walter Murray, Vice-Chairman, RBC Capital Markets.

Marissa Caldwell, Grade 12 Honour Student, De La Salle College, Bernie Leaman, Past President, Commercial Aluminum Products, Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada, Wendy A. Tadros, Board Member, Transportation Safety Board of Canada and Fred Banwell, Financial Advisor, Berkshire Investments.

John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada, Karsten D. Voigt, Co-ordinator, German-North-American Co-operation, Federal Foreign Office and Dr. Klaus Rupprecht, Consul General, Consulate General of the Federal Republic of Germany.

Derek Martin, Director, Vanier Cup and Tom Wright, Commissioner, Canadian Football League.

Major William (Bill) Duncan, Honorary Director and Chairman of the Reception Committee, John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada, Debbie Testa, Administrator, The Empire Club of Canada and Colin Wickham, Administrator Assistant, The Empire Club of Canada.



John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada and The Hon. Dalton McGuinty, Leader, Ontario Liberal Party.

Peter Mansbridge, Chief Correspondent, CBC News, His Excellency David Reddaway, British High Commissioner to Canada, Tony Burman, Editor-in-Chief, CBC News and Tom Clark, Host of W-Five, CTV Inc.

Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group, George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company, Director, Toronto Rehabilitation Institute and Past President, The Empire Club of Canada, Richard O'Hagan, Senior Counsellor to Campbell Strategies, Michael Goldbloom, Publisher, The Toronto Star and John A. Campion, Partner, Fasken Martineau DuMoulin LLP and Past President, The Empire Club of Canada.

January 8, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Frederick Sturm

Executive Vice-President and Chief Investment Strategist, MacKenzie Financial Corporation

Anne-Mette de Place Filippini

Vice-President and Portfolio Manager, ALC Investment Services Inc.

Mike Quinn

President and Chief Investment Officer, Bissett Investment Management, part of Franklin Templeton Investment

2004 INVESTMENT OUTLOOK

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, CFA, Alternum Capital and Director, The Empire Club of Canada; David A. Brown, Chair, Ontario Securities Commission; Kevin M. Sullivan, CFA, CEO, GMP Securities Ltd.; Jeffrey D. Francoz, President, MMI Group Inc.; Barbara Stymiest, CEO, TSX Group; David E. Roberts, Senior Vice-President, Institutional Equities, Raymond James Ltd; Bruce J. Robb, CFA, Co-Head, Canadian Equity Research Sales, Merrill Lynch Canada Inc.; Chuck R. Powis, CFA, Managing Director, Institutional Bond Sales, RBC Capital Markets; Harry T. Seymour, President, Waterston Financial Inc. and Past President, The Empire Club of Canada; The Hon. Thomas A. Hockin, PC, PhD, President and CEO, Investment Funds Institute of Canada; Blake C. Goldring, CFA, President and CEO, AGF Management Limited.; Rev. Grant Kerr, St. Paul's United Church; Paul Martin, CFA, Vice-President, TD Newcrest; Joseph J. Oliver, President and CEO, Investment Dealers Association of Canada; William F. White, President, IBK Capital Corp.; and David Fleck, Executive Managing Director, BMO Nesbitt Burns Inc.

Introduction by John Koopman

For most of us the future represents those halcyon days when our affairs will prosper, our friends will be true and our happiness is assured. Not so for that poor Toronto lady who was recently told by her doctor that she had but six months left to live. She said: "Well what do I do?" The doctor told her to marry an economist and move to North Dakota. She said: "But doctor, that won't cure me, will it?" The doctor said: "No lady it won't cure you but the six months will seem like forever."

Now we're going to listen today to some very brave and some very talented economists. Firstly very brave because it is one thing to make predictions in the security of your living room after a drink when you have real doubt than anyone will remember what you've predicted. These three economists today are going to make predictions that will go down in the public record and they'll be on the Internet for you to read a year from now. If you look back at past addresses to the Empire Club Financial Forum some of them have been very very good. You go back to Bob Dechert's year as President, 2000. That was the height of the dotcom boom. We had Scott Penman here. Listen to what Scott had to say. I wish I had been here that year because I would have saved a lot of money. Scott said: "Are these gains and technology stocks real, will they last? The new tech IPO mania is just like the children's craze Pokemon." Now Pokemon I understand because I have kids that age.

"But there are only very few people who really understand Pokemon. Just like these IPOs, they have no real value. It is simply an emotion mania. Today's Internet stock is tomorrow's Tickle Me Elmo." I wish I had listened.

He wasn't the only one that year. The second speaker at that same Financial Forum, January of 2000, was Bill Eigen. He said: "Why do these dotcoms trade for 150 times sales. I don't understand it and I won't listen to any analyst that tries to tell me these valuations make sense. I've seen more new metrics to justify evaluations in the past few months than I've seen in my entire career. It's not price to book anymore. For these IPOs it is price to press release issue." I hope all of you were at those lunches because I've been to most of them but that one I missed.

But there was a good side to that whole tech collapse and Ian Joseph pointed it out two years later when he spoke. What he said simply was: "You know, the good side of all this is that at least now I don't have to pretend I know what acronyms like CDMA, CRN, ERP, IPAP and all that stuff really means."

So our guests are brave and they are also very talented. The average economist frankly can't say hello in 10 minutes. Each of our three guests today has about 10 to 12 minutes. Our first guest is Mr. Frederick Sturm. He's the Executive Vice-President and Chief Investment Strategist for MacKenzie Financial. He joined MacKenzie in 1981 and he is also a natural resource specialist.

Frederick Sturm

I am a technology guy and I can't speak without some props.

I apologize to all those in the room who are at the far end. We have a screen set up on this side so it may be a little bit of a strain for you to see it, but I'm sure that my words will be helpful in understanding the pictures.

I am about to make a very bold prediction and I would like you to record this for all eternity because I know it's going to be recorded for all eternity anyway. My bold number-one prediction is that stocks will be much much higher 36 years from now.

My economics professor warned me that, if you are going to predict, at least use a timeframe long enough that you'll have lots of averages working in your favour.

We get so busy day by day and trade by trade that we sometimes forget about the long term. So I'm going to focus on what the long term really is and I have a chart here containing 200 years of data. We're arguing that we're going back into a normal return environment. Two per cent inflation, 5 per cent government bonds and stocks at 8.5 per cent. Not 18.5 per cent, not 28.5 per cent, but 8.5 per cent. Many people often say: "Well those numbers are uninspiring." But we forget that over time patient compounding works in our favour. All we've done here is multiply it out. Twenty years from now everything I buy will be 50 per cent more expensive so doing nothing is not an option. We will need to invest to accumulate a nest egg.

I've had the pleasure of taking over a fund called the MacKenzie growth fund, which launched MacKenzie Financial some 36 years ago. Ten thousand dollars invested a year ago is now worth $12,000. Invested three years ago it is worth $17,000 and if you had invested 36 years ago it is now worth $610,000. I always like to say throw a zero on the original investment and the result is really quite interesting.

But let's focus a little narrower here and if we look at the average Dow Jones cycle going back over the last 100 years, this recovery has been actually quite normal. The surprise was the pull back at the beginning of the year but SARS and Iraq caused that. If this chart is perfectly followed then we might have some more gains in the first half of this year. Some kind of an 8 per cent pull back and then a retest and a rally to new highs as the year progresses.

It is important to ask what is going on to drive the market. So far, if we look at the stockmarket and ask what the stockmarket is telling us, the breadth and strength of the market has been impressive. Since the summer we have been using this table which goes back to 1970 and it basically makes the point: when 90 per cent of all the stocks are saying they want to join in the parade, the parade tends to go on for another six months to a year. That's why we have been working very hard at MacKenzie over the last year to put this in front of our clients to help them with their investment plans.

We are starting this year with earnings going to new all-time record highs and the market is still one-third off. Here's your chance.

So where will the power come from? It will partially come from money that is on the sidelines. By many measures, sentiment indicators are getting a little frothy and a little bit of a concern, but I'm suggesting watching what people do, not what they say. The money on the sidelines is still quite a mountain that hasn't been spent yet. It is fuel for more gains.

Based on prediction number one, it still makes sense to have significant weighting in equities over the very long term.

Bull prediction number two. Long-term government bonds will post marginal total return losses this year but bond yields will be lower than today, two to three years out.

We have been using this chart comparing the changes in interest rates by the fed and comparing it to the trends in employment and we are now hearing quite clearly from the Central Bank that absent employment growth we won't raise rates.

So based on prediction number two, I suggest continuing to focus on shorter-duration and fixed income alternatives, but buy the bonds if they sell off. I think there is another positive trade coming in the bond market sometime over the next 12 to 18 months.

Here I get a little more technical and use a little more of the market language. This solid cyclical bull market will not change into a secular bull trend. Therefore I think at some point in the next two to three years from now stocks will be lower than today.

Let's describe that. Why? What we have observed in history is that the pre-conditions for a secular bull require basically these kinds of things: low absolute valuations as a starting point, pent-up demand, reasonable expectations of political stability and the capacity for big output productivity gains. I don't think we have the first three. You could argue that with the inclusion of China and India and all these people, who are now being liberated to work more productively, that we probably do have the fourth.

What is different this time is that because of the low interest rates consumers didn't retrench as they have in the past. And we can see here every circled recession in the past started with a lot of cars getting older and people not buying houses and as a result there was a lot of pent-up demand. We don't have that as a starting point here today.

And here is a valuation issue: every good secular bull market started with P/Es under 10 or 11 and we haven't seen that. And we are in fact now on an across-the-board basis starting to see valuations that are on average getting a little on the rich side.

Twin deficits as you know are a big challenge. Why won't we go into a secular market from this positive cyclical bull market? We still have a lot of issues that we have to deal with.

What does a bull market look like? Through 100 years of data we've looked at 33 bull market cases, one every three years or so. Half of them have been secular, half of them have been cyclical. Cyclical bull markets are good for about 50-per-cent gains.

So based on that prediction I suggest to you that individual stocks will post more gains, but be prepared to focus on quality and adopt a more conservative asset mix at some point this year.

Bull prediction number four: the demand for financial advice, professional advice, and money management will rise substantially over the next 10 years. Why?

Professor Foot was my demographics professor about 25 years ago and here you see the baby boom. It is moving into the savings years. They will need your advice. And in terms of the professional value added by a professional money management, here I show a chart of the Maxim MacKenzie Dividend Fund run by my partner. We all know that we are not always brilliant but to suggest that this industry is not adding value to people over time is just not fair.

So based on that prediction, even though we will have an inevitable pull back two to three years out, stick around. The next 10 years after that will be very solid growth.

So here's my last prediction and I'll rap it up quickly: the Middle East is going to face a very difficult social challenge and I want to talk about this a little more.

Here we've expanded the population data and it's a mass of numbers. You can see on the very top line that China is bigger than all the western nations by a factor of two. Notice Saudi Arabia has about 22 million people, not far off Canada's 30-odd million people. But let's do some analysis on the numbers. On the top right hand corner you can see that 49 per cent of the population in Saudi Arabia is under the age of 20. Seventy-five per cent of the population in Saudi Arabia is under the age of 30. In many emerging markets the challenge is health care and many people unfortunately die young, so it is not unusual to see high numbers of youth. What you do see though is that the life expectancy in Saudi Arabia is very close, at 72 years, to the life expectancy in the western world. What it means is that over the next few years, for every one person who is retiring and vacating a job eight and a half new ones have to be created. And that economy just doesn't have the wherewithal to absorb those people.

People without jobs and without homes create a difficulty for society. So based on that final prediction I think that for the balance of the decade you should have energy and gold as markers in a balanced way in your investment portfolios.

Thank you so much for your time.

Introduction by John Koopman

Thank you Mr. Sturm. I'm more with Yogi Berra. Yogi Berra once said: "Buy stocks. If they go up, sell them. If they don't go up, don't buy them." Our next speaker is Miss de Place Filippini.

Anne-Mette de Place Filippini

Mr. President, ladies and gentlemen: good afternoon.

I'm pleased to be speaking here at a time when the prospects for overseas investments look brighter than they have for some time. Yet in all but the most contrarian investors' portfolios, overseas assets are relegated to a position of secondary importance.

It is a difficult time to be a fund manager in international equities right now, largely because there are very few Canadian investors who have become wealthy by owning stocks outside North America. The MSCI EAFE index, which covers world stocks in Europe, Asia and the Far East, has a rather dismal 10-year return of 4 per cent per year, somewhat less than a Canadian could have earned in a decent T-Bill fund over the same period.

It is with this track record in mind that I come to the subject of my 10 minutes today. I want to talk about the limitations of one of the most popular analytical tools in investing. This tool is employed widely to develop forecasts and to shape expectations for future investment returns. In Denmark, where I am from, it is called the bagspejl, and here in Canada we refer to this tool as the rear-view mirror.

Now where to we begin with our discussion of this rear-view mirror? Perhaps we should begin in the world where we find ourselves today. We are, of course, in a global economy defined by the undisputed pre-eminence of the United States. America's economy is leading the world in growth with 8.2 per cent real annual GDP growth in the third quarter. The second-half recovery, long promised by Wall Street, is finally here (a couple of years after it was first predicted, but who's complaining). Businesses around the world, in China, Mexico, Canada and Europe are all eager to grow their exports into the world's greatest consumer market.

The world appears poised for another decade-long American-led expansion just as has occurred in the 1980s and 1990s. But, perhaps this isn't the right place to begin.

Perhaps we should begin 15 years ago in Japan. The year is 1989 and we are sitting in the lobby of the Imperial Hotel in Tokyo. The Imperial Hotel lobby has never been this busy or felt so alive. If you listen very carefully you can hear Beethoven's "Moonlight Sonata" tinkling on a piano. Japan has seen a period of massive economic expansion that has created 3.6 million jobs and wage growth of 19 per cent since 1984. Unemployment is almost non-existent at 2.3 per cent. Construction is booming. New construction is up 30 per cent from three years earlier. Land prices in central Tokyo are still going up on their way to reaching almost $6,000 per square foot (that's $54,000 for a square yard).

A 100-yen coin has almost doubled in value against the U.S. dollar since the beginning of the decade. And students of business, including myself, were being tested on our knowledge of Japanese quality-control systems and the Toyota Way.

Into this fabulous Imperial Hotel lobby, imagine being sent with the mission of selling international equities to a Japanese investor. He is looking at the financial pages of a chart showing the 10-year compound return from the Nikkei at a towering 26 per cent per year (in Canadian dollar terms). Against this fantastic return, the American S&P 500 has returned 15 per cent per year and Toronto stocks only 8 per cent. We make our pitch. Our potential investor, being Japanese, is very polite. He nods and smiles and asks how long we consider long-term to be. Our Japanese friend does not seriously consider our international funds pitch. Using the rear-view mirror as his trusty guide, he sticks with his basket of profitable, world-beating Japanese equities.

We all now know how costly a decision this turned out to be. Our Japanese friend still clings desperately to the only investing tool he has ever used, the rear-view mirror, and has by now sworn off stocks for life.

It didn't have to be that way. Even in 1989 there were a few cracks showing in the impenetrable armour of the Japanese economy. Interest rates had begun to rise. Imports into Japan were growing much faster than exports, and the trade balance with China recently turned negative. The cost-advantage of Japanese manufacturing was rapidly eroding due to growing wages and a rising currency. But then that was Japan.

Let's talk about North America.

At the start of this talk I made a note of how well things seem to be going in North America, but I only just scratched the surface. The United States, with less than 7 per cent of the world's population and 30 per cent of the world's GDP has generated more than 60 per cent of all economic growth in the world since 1995.

Domestic demand in the United States has grown at an amazing 3.7 per cent per year since 1995, twice the pace of the rest of the world. Despite a little hiccup with the technology bubble, American stock exchanges are still world beating, with the Nasdaq returning 50 per cent in 2003.

Yet why might a couple of words of caution be appropriate at this juncture? If one looks around for cracks in the armour of the North American economy (and I believe it is one North American economy and not a Canadian and an American economy) they are not too hard to find.

The first significant crack is the apparent dependence of the U.S. economy on consumers who are spending more than they earn. From a positive savings rate in the late 1980s, the average U.S. consumer is running larger and larger personal deficits, to the tune of 12 per cent of disposable income in 2002. Despite the large declines in interest rates over the past 15 years mortgage, interest and charges have been growing faster·than wages since 1988 (4.6 per cent compound annual growth rate vs. 4.4 per cent), meaning that the coverage ratios on mortgages are deteriorating.

While personal liabilities in the United States have risen, at the same time average consumer income from investments has shrunk, even in nominal terms. The average U.S. consumer has become more dependent on employment income in the last 15 years.

At an aggregate level, the United States appears to behave in the same way. America runs a massive current account deficit of 5 per cent of GDP, which is driven by a combination of trade deficit and the fact that the U.S. has become a net debtor to the rest of the world. In fact in just 20 years, the U.S. has gone from being the world's biggest creditor to its biggest debtor.

The relative uncompetitiveness of labour in North America is another concern. Software developers who earn $60 in the U.S. are competing against Indians of similar skills who earn $6 per hour. We recently looked at a shoe manufacturer in China whose employees are paid one-nineteenth of the wage of similarly skilled American factory workers.

When these jobs move offshore, what happens to the American workers? A study from 1979–99 conducted by the Institute for International Economics found that of American employees who lost their jobs to cheap imports, half had to take a pay cut and one-quarter of them took a pay cut of 30 per cent or more. It seems ironic that while America's founding fathers considered the following truth to be self-evident—that all men are created equal—American consumers are engaging in consumptive behaviour that suggests their abnormally high incomes are some kind of permanent right of citizenship.

The scene out of the front windscreen gives cause for concern, and certainly would suggest that this is no time for complacency. Underpinning a stock market that is trading between 20 and 30 times earnings, depending on what you count as earnings, looms some massive imbalances that pose daunting challenges for the future.

As I look at my options of where to deploy capital on a global basis, international markets deserve a hard look. Where are the best places to go—some say to hide? Just perhaps those countries that have been enmeshed in recession and deflation, where more money comes in than goes out, and where personal and government balance sheets are strong.

So how does one guard against falling into the rear-view mirror trap? As we look at common stocks and the people who run these businesses, we must keep our eyes firmly on those items that are visible through the front windscreen. Our research should be directed towards answering the following fundamental questions.

Does the company sell a valuable product? Is the market likely to grow or to contract? Is the product or service it provides an inevitable necessity or a nice to have? Is the business the strongest competitor in its industry? Can we identify a sustainable competitive advantage? Is it the low-cost producer? Is the business in a strong financial position? Is there a strong mechanism that exists to transfer value created by the business to the shareholder? Is management honest? Is the business being offered for sale at a price, which is less than its discounted future cash generation?

We believe there is no substitute for analyzing the relevant forward-looking fact base. The view out in front of us suggests that this is no time for complacency. That potential rewards should be carefully assessed against the risks they entail. And with this in mind, the prospects for overseas investments, from a North American point of view, are brighter than they have been for some time.

Thanks for your time.

Introduction by John Koopman

I neglected to mention that Ms. de Place Filippini is with ALC Investment Services. Folks came from afar just to see two economists who agreed to agree. When the event did take place it proved a disgrace. They agreed one plus one adds to three. Our final speaker today is a bond man, Mr. Mike Quinn, the Chief Investment Officer at Bissett Investment Management. Mr. Quinn.

Mike Quinn

I have been asked to speak on the outlook for the fixed income markets in 2004. I would like to start by reviewing the performance of the fixed income markets then talk about some of the factors we believe will have an impact on returns in 2004. Finally I will share our strategy for investing in bonds in 2004.

Being asked to talk about the fixed income markets, at functions such as this, sometimes leaves one feeling like the poor cousin of the family. The equity managers usually are able to get most of the attention as the return potential is so much higher, and even in a bad year there are stories to tell. Bonds on the other hand are overwhelmingly driven by one factor—interest rates—and so any discussion of the market inevitably turns to interest rates, not always the most exciting of luncheon topics. But bonds have tended to provide some surprises over the last few years, and I think they have the potential to surprise again in 2004. Indeed—in a capital market over the past three or four years that can charitably be called uncertain and challenging, bonds have been a tower of strength and stability. Bond returns in the last four years as measured by the Scotia Capital Universe Bond Index starting in 2000 have been 10.25 per cent, 8.06 per cent, 8.75 per cent and last year 6.7 per cent for a four-year compound rate of return of 8.43 per cent. This compares to 1 per cent for the S&P/TSX over the same period. Maybe it isn't fair making this comparison. Returns, as the physicists say, are "sensitive dependent on initial conditions" and this was the worst bear market in years. But we bond managers have to take advantage of these opportunities. As I recall, the consensus forecast for the bond market had been for bonds to earn their coupon less a bit as rates were expected to rise. Each year the bond market outperformed, providing returns of the coupon of around 5 to 6 per cent plus capital appreciation as interest rates declined. Obviously the combination of the economic slow-down, low inflation, weak stock prices and geo-political uncertainty all contributed to the strong results in the bond market.

So what to expect in 2004? Consensus is very familiar at coupon less a bit to negative returns. A recent Ried Thurberg survey in the U.S. showed that there were only 6 bulls and 43 bears in a pool of bond managers. Eight-five per cent of global portfolio managers see yields rising. Those of you who are uncomfortable being on the consensus now know which way to turn. Is the consensus going to be fooled again?

Here is where we have to turn to interest rate forecasts. When I was doing some research in preparing for today, I came across a statistic that said that economic forecasts are right only 44 per cent of the time. My first thought was that I had better make sure I have a coin in my pocket so that I can improve on those odds. Then I was comforted by the fact that I am not an economist and maybe portfolio managers fare better. Forecasting can be a humbling experience though. Even the central banks, which have buildings full of economists, have had a hard time being consistently right. Less than a year ago, the federal government in their budget forecasted 10-year bond yields at 5.4 per cent in 2003 (they ended the year at 4.7 per cent) and 5.9 per cent for 2004. Thankfully rates have remained below those levels (so far anyway). In the U.S., the Federal Reserve has spoken of both deflation risks and inflation pressures in the past year. So with this backdrop I guess I can add my two cents' worth.

What drives interest rates? The economy, inflation rates, supply and demand for money, and monetary and fiscal policy. Without getting into a lot of detail let's look at each of these factors.

While there still seems to be some argument regarding the economy, we think there is little doubt that the growth revival we have seen is real and will extend into 2004. The U.S. economy grew at over 8 per cent in the third quarter; it is unlikely to falter any time soon. We expect the economy to continue to grow at a reasonable pace in 2004 as the strength expands beyond the consumer and government. Corporate spending will improve as businesses reinvest growing cash flows. People point to the lack of employment growth as a sign the economy is not improving, but this is a lagging indicator and a popular measure over the past few years has been jobless claims in the U.S. The weekly average has dropped from 400,000 to about 350,000 recently. Canada and the rest of the world will benefit from the strength in the U.S. and for the first time in years we could see a synchronized global recovery. Japan finally looks like it is emerging from a 10-year recession as the government continues to make the necessary reforms. Even in Europe, growth is steady despite a strong euro as they benefit from increased global demand.

Will this growth inevitably lead to inflation problems? We are unconvinced, and the reasons are globalization, excess capacity and continued productivity improvements. As the year progresses inflation rates are likely to climb but not significantly. The Federal Reserve is trying to reflate and has made it clear that it would like to see a higher inflation rate. Why fight the Fed on this point? One surprising statistic is that U.S. inflation rates remain below 2 per cent even with the U.S. dollar dropping steadily in 2003. Core rates are as low as they have been in five years. As global growth recovers, the likelihood of the U.S. avoiding price hikes diminishes. In Canada our stronger currency will mean that inflation here remains relatively benign. Commodity prices may continue to strengthen but their impact on overall inflation rates is less each year. For most of the world commodity price inflation has been minimal or non-existent. With commodities denominated in U.S. dollars, items like oil and gold are little changed in local currency terms, even though they remain strong in U.S. dollar terms.

What about monetary and fiscal policy? There has been little change in U.S. monetary policy which has been very accommodative. The Federal Reserve has been committed to keeping rates low for a "considerable period" and it does not appear to be much closer to raising rates despite the improved performance of the economy. In Canada the story is a bit different. Our bank rate is significantly higher than that of the United States and our dollar is strong; both equate to a restrictive policy. The bank is probably reluctant to reduce rates in the face of a recovery in the U.S. but there is room to move and we may see diverging monetary policies in 2004, as the U.S increases rates by mid-year and the Bank of Canada keeps rates here steady or reduces them early in 2004.

Fiscal policies are also diverging. An accommodative fiscal policy, in the form of tax cuts and increased spending, has spurred growth in the U.S. while also moving the U.S. federal government from a comfortable budget surplus to a $500-billion deficit. Canada meanwhile is struggling to balance its books, as politicians do not appear to be willing to surrender the gains made on this front in the 1990s. And this leads to supply and demand. Clearly with deficits growing in the U.S. the supply of bonds will be on the rise. In Canada demand seems to be stronger in the face of limited new supply. Corporate spreads have narrowed significantly over the past 15 months as investors reach for yields. A stronger economy should alleviate some of this tightness as corporations come back to the market.

Now, here comes the hard part. What does all this mean to the fixed income markets? Usually forecasters with the best results are those that make the more extreme calls. I spoke at a forecast dinner last year with two other speakers, and all of us called for the Canadian dollar to appreciate but nobody expected it to rise above $0.70 U.S. from about the $0.63 level. Similarly, our forecasts for the TSX were pretty timid. I was the most bullish expecting returns of around 10 per cent and the market gained over 25 per cent. So the rule of thumb is to be bold and I really wanted to be at the outset. But based on our view of the economy and inflation, I think this year could be another year where bonds provide returns around their current yield to maturity. While some have been suggesting that there is only one way for rates to go now after seeing their fall for 20 years, we would not be surprised to see rates trade in a relatively narrow range for some time which would be consistent with a period of moderate inflation and positive economic growth. Having said this, there still could be good opportunities to make money in the market. Last year who would have predicted that we would have seen rates fall to 45-year lows, just as the economy was accelerating. This year we may see bond prices weaken early in the year as the economy expands and the equity rally continues. If 10-year bond yields rise much above 5.25 per cent we believe that they would offer good value—attractive real yields, in a low inflation environment.

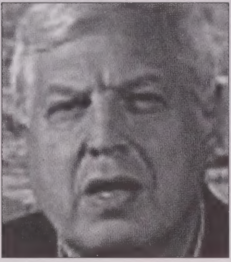
In terms of sectors we have historically overweighted credit in our portfolios with above-average holdings in provincial and corporates. This has worked out well. The corporate market in particular has provided excellent returns, as spreads have dropped steadily over the past few years. At this point we would be more cautious as we do not expect this part of the market to provide as great an opportunity to outperform.

We still think that the mid-term sector looks attractive. The yield curve is quite steep, offering investors a good opportunity to enhance yields without extending the term significantly. These bonds should also benefit as they roll down the curve. Should the Bank of Canada reduce rates this trade will look even more attractive.

So in conclusion, it will be different from the past few years where returns were very stable—almost like a guaranteed 2 per cent a quarter. Bond managers are going to have to work harder this year, as interest rates rise early in the year but this may provide opportunities for bond investors, so with consensus very bearish we think by the end of the year that bonds may once again surprise and even if returns do not rival those of the past few years, they could still be positive and above inflation levels.

The appreciation of the meeting was expressed by Margaret Samuel, CFA, Alternum Capital and Director, The Empire Club of Canada.

Grant Kerr, St. Paul's United Church, Margaret M. Samuel, CFA, Alternum Capital and Director, The Empire Club of Canada and Blake C. Goldring, CFA, President and CEO, AGF Management Limited.



January 15, 2004

John Simpson

BBC World Affairs Editor and Presenter of "Simpson's World"

MY CAREER AT THE BBC

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada; David Milstead, Grade 12 Student, North Toronto Collegiate Institute; Rev. Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada; Tony Burman, Editor-In-Chief, CBC News; Tom Clark, Host of W-Five, CTV Inc.; His Excellency David Reddaway, British High Commissioner to Canada; Anne Fotheringham, Owner, Fotheringham Fine Art, Director, The Canadiana Foundation and Director, The Empire Club of Canada; Peter Mansbridge, Chief Correspondent, CBC News; Allan Fotheringham, National Syndicated Columnist and Author; and Lib Gibson, Corporate Advisor, Office of the President, BCE Inc.

Introduction by John Koopman

Your Excellency, Reverend Sir, past presidents, members and guests of the Empire Club of Canada:

The term "Fourth Estate" to describe mass media is generally attributed to that Irish-born, great British orator and parliamentarian Edmund Burke. In 1772, journalists first gained the right to publish parliamentary debates. Soon thereafter, Burke, believing that the press would soon become as important as Parliament, stood up in the House of Commons, lifted his hand dramatically towards the reporter's gallery and said: "There are three estates in Parliament but in the reporter's gallery yonder sits the fourth estate, more important far than they all."

A century later, another gifted but troubled Irishman Oscar Wilde, speaking of journalists, further built upon Burke's observation when he said: "Burke called journalism the fourth estate. That was true at the time no doubt. But at the present moment it is really the only estate. It has eaten up the other three. The Lords Temporal say nothing, the Lords Spiritual have nothing to say, and the House of Commons has nothing to say and says it. We are dominated by journalism."

The recent passing of the Honourable Robert Stanfield, the best prime minister we never had, must give us pause to reflect on Oscar Wilde's observation. Who can forget those infamous photos of Mr. Stanfield eating a banana or fumbling a football and the impact that had on his career.

All humour aside, the BBC has an outstanding reputation of probity and it is built in no small part on the backs of journalists like Mr. Simpson. Mr. Simpson has publicly said on many occasions that he would see it as a great betrayal if viewers were able to infer a political stance from his reports. As Toronto's own Richard Needham once said: "Journalists go to great pains to give us honest, accurate accounts... of the lies told by politicians."

He has published three books and he presents the BBC's current and public affairs program "Simpson's World" which is broadcast in 200 countries. He also writes a foreign affairs column for the Sunday Telegraph. But of course the Empire Club has had many guests who have written books or hosted television programs. What makes Mr. Simpson different is that his experiences have been larger than life.

Mr. Simpson joined the BBC in 1966 after graduation from Cambridge as a trainee in Radio-News. Over the years he has held a variety of positions and was appointed BBC World Affairs Editor in 1998. He has reported from trouble spots around the globe.

He followed mercenaries fighting in the Angolan Civil War and was almost killed at Kinshasa Airport in the Congo. At Tiananmen Square after seeing two soldiers murdered, he saved the life of a third. He refused to leave Baghdad at the commencement of the First Gulf War and found himself telephoning a dispatch to London as a cruise missile swept past his hotel window. When at the start of the 1999 Kosovo conflict the Serb authorities expelled nearly everyone else from NATO countries, he remained in Belgrade to report. He attempted to enter Afghanistan disguised in a burka, and was wounded and nearly killed in a "friendly fire incident" in the Second Gulf War, which was his 34th war.

He also has the honour of being punched in the stomach by former prime minister Harold Wilson (so Jean Chrétien was not alone in the Commonwealth in prime ministerial aggression).

Ladies and gentlemen, please join me in welcoming Mr. John Simpson to the podium of the Empire Club of Canada.

John Simpson

Well thank you very much indeed John for a rather techni-coloured view of my history. In fact most of it seems to be terribly boring. I'm not doing much more than radiating the lies of politicians around the world. Because my job is to cover international affairs for the BBC, I just have a wider range of lies to talk about. But that's quite nice.

I apologize terribly for not having turned up here last summer. I can't even remember what it was now, but in the lives of people like me there's always something that seems to come up at the last moment. I hope you understand and you were very forgiving to invite me back. And it's absolutely superb to stand here talking to the Empire Club.

My wife is an Afrikaner from South Africa and had never seen snow until she looked out of the window this morning. Her ancestors were all banged up in British concentration camps and so forth, so she has a slightly, shall we say, quizzical view of the British Empire.

When I opened the letter last June, or whenever it was, and said, "The Empire Club of Canada wants me to go and speak to them," she said, "Yeah, that's exactly your level."

And so I'm delighted and honoured to have found my level, and to congratulate you on your 100th—now 101st—year. I could have done the century, if only I'd turned up properly and on time.

There are all sorts of people here for whom the BBC has reason to be profoundly grateful; people who ensure that it's seen in Canada on cable and in the various other ways—on satellite and so forth—and indeed is broadcast on CBC. We're terribly proud of our Canadian links.

Canada, to any journalist who works around the world, has considerable importance—particularly, but not only, to British journalists. I won't say which newspaper's Web site I look at, but it's rather a long name to have to type in every day. I look at that on a regular weekly basis in order to find out what Canadians think; what North Americans who aren't Americans think about what's going on.

You've only got to open any of the papers here to realize what an interest there is in the outside world and that the outside world isn't just simply Washington and Washington's relations with other countries, which is all you really seem to get for the most part in the American press. It's wider than that.

And it's therefore very, very important indeed for the BBC to be able to do well in Canada, because you're particular judges. You are judges who use a good deal of information and have a good deal of understanding, and indeed a certain element of scepticism about what you see. Now 1.2 million homes in Canada have opted for the BBC and have the service in their homes in addition to the seven million that can see our news bulletin every night at 6 o'clock on CBC Newsworld. That's really, really important to us.

When this last, most recent war happened, it was a very difficult time for any big national news organization, because it was going to be judged very carefully by both the people who were in favour of the war, and people who were against it. It was always going to be a difficult job for the BBC to report it well and accurately and in an unbiased fashion. There are all sorts of people in all sorts of levels of British life—not only British life but also American life—who think that the BBC didn't manage it.

But in Canada, for instance, we noticed that Canadians responded with great favour to the way in which we reported the war, not I think because our reporting was in any sense hostile to the war or to the United States, but simply because it was an honest a look as we could give of what had been going on.

You only had to look at the newspaper comments we received. I was reading them last weekend and was enormously impressed and flattered by how praiseworthy the coverage in the Canadian press had been of how the BBC went about it.

There was one line I really liked in one of the many, many letters we got from Canadian viewers. A lady with the very Canadian name of McDonald said something along the lines of how the presenters of the news asked awkward questions and the reporters didn't go in for government speak.

Now you see the problem is that with something as difficult as a war, people on both sides are going to want you to side with them. They want you to be the voice of their view. That was as true of the anti-war people in Britain and the world in general as it was of the British government.

The British government, as you will know, was fiercely critical at times of the BBC and the way it reported the war. It was fiercely critical at times of our reporting from Baghdad itself, although I noticed that in the last honours list the producer who worked for the BBC in Baghdad got an award of some kind, an MBE I think, A Member of the Order of the British Empire. I got the same thing and I thought how typical of the British to give you a membership of an organization which no longer exists. But I shouldn't say that to the Empire Club, should I.

When times are hard, governments always look for support from their national broadcaster and they don't like it if they don't get it. The BBC felt it was the right thing to be as unbiased and objective about that war, as it tries to be about everything else. That, after all, is what it exists to do. It's bound to do that in its charter.

And so we did our best. I'm sure we got it wrong on lots and lots of occasions. I have indeed talked about it being a betrayal if anybody can spot what particular political line I am taking. I very much hoped that nobody could work out from what I was reporting whether I was in favour of the war or against it. It's one of those things that you'd rather not disclose in any sense.

When I made a joke, an ill-advised joke, which had something to do with George Bush and a piece of American shrapnel that I landed up with in what my doctor calls unglamorously my buttock, it got into the newspapers. That's not what I wanted to do. I didn't want to give the impression that somehow there's some personal element in this for me, because there wasn't and there isn't.

It was a joke, you know, but alas the British press, I've noticed, had its sense of humour surgically removed when it was created. It's very difficult to explain that things like people going around dressed up in burkhas when they're 6'2" and have size 10 feet, which happened to me in Afghanistan as John mentioned, do not get forgotten by the British press.

The difficulty, I think, has been to persuade people that when Mrs. McDonald wrote to us and said that she didn't want to hear government speak but wanted the hard questions, that is actually not a siding with one particular side or the other in a dispute; it's actually the duty, the tone that ought to be taken.

There's a programme, which anybody here who's watched BBC World will know, called HARDtalk. When the chap who runs it, a very good friend of mine, Tim Sebastian, went to the Middle East to carry out a couple of programmes there, he went first of all to interview a member of the government. It was the Sharon government, the present government. He gave him the most bruisingly hard time that it was possible to imagine.

Sometimes you even felt that the poor man could scarcely get a word in before he was interrupted by Tim.

An Israeli friend of mine said: “That was disgusting. When I was watching the programme, I thought it was like watching a Nazi interrogation. The man was asking questions; it was disgraceful; it was anti-Israeli; it was anti-Semitic.” And he said: “The next day I saw he was interviewing somebody from Arafat’s office, and he asked him the same kinds of questions and treated him just the same. So I thought that maybe there is something in this sense of balance that you’re always taking about.”

I think that is the way in which we operate. Our intention is to give everybody a hard time. The people who are getting it at a particular moment don’t always enjoy it, which is why, alas, we have our present problems with the British government. Not really present problems. I think they’ve faded away except for the axe hanging over everybody’s heads in Britain over the Hutton inquiry into the circumstances surrounding the death of the British scientist Dr. David Kelly.

I only know what I read in the newspapers about this sort of thing and I’m sure that the British government and Tony Blair in particular are going to have a very hard time of it indeed. I’m also sure that the BBC is going to come in for quite a lot of criticism and complaint, because what we reported was 95 per cent accurate but it was 5 per cent inaccurate. And, frankly, I may not like the idea, I may find it irksome, difficult, worrying even, but we deserve to be given a hard time for not getting that last 5 per cent right.

It’s boring to go into it really, but what happened was that the journalist involved, in one of those awful live things at the disgustingly early time of 6:15 in the morning, gave the impression that the main source for his information came from the intelligence services when it didn’t. That was wrong and of course we’ll get a caning for it. And we'll get a caning no doubt for how we treated it afterwards.

What we are planning to do, what we have already started to do, is to clean up our act. That 5 per cent and that one report which was inaccurate simply isn't good enough.

We've gone back—in a strange kind of puritanical way—to the basics. We've gone back to simply being as unbiased on the issues of the day as we can possibly be.

I am one of the journalists that the BBC employs who has been writing a column every week. I've written it for 12 years for one of the newspapers in Britain. I write about foreign affairs; other people write about domestic affairs, about politics and so forth. I write for the great owner, former owner now I suppose, of the Daily Telegraph—a Canadian whom you may have heard of recently.

That's come to an end and it's rightly come to an end in a way. I don't like it because it means I get less money and I get less chance to have a crack at the people I don't like and do all the other things that columnists do. It is such a pleasure writing a column. You look at it and you think, "I wonder if I should really send this." And then you press the button and it goes, and you think, "Oh, well there's nothing I can do about that now." That's one of life's greatest pleasures really. It's less pleasant, of course, when you see the letters column the following day or the following week.

But that's come to an end and in a sense rightly too, although that's not necessarily what I told the boss of the BBC when he told me that this was what was going to happen. I think it is right to go back to the basics and not to stray near that line where you show people what you think has happened, what ought to have happened, whether you think it ought to have taken place in the first place and what you think is going to happen in the future.

I think you've got to be very careful about that if you're broadcasting to all sides in a dispute and when the very people who are paying your licence fee know that they ought to be getting a service where they feel that at least they're not being treated unfairly. You can't expect to like what's reported about you, I always think, but you can expect not to be treated unfairly, and that's the most important message that the BBC has.

It's got to slightly ludicrous levels in a sense. I was invited to put my name in to be the next chairman of the British Council, which is about as mild and decent and noble an organization that exists. It's the institution, which presses British culture on unwilling foreigners around the globe.

I couldn't think of a nicer job, and I have to say I could imagine the long line of theatre invitations and so on I was going to get, and was absolutely outraged and furious when my ultimate boss said to me that this would represent in some way a conflict of interest. I held the phone away while I screamed at him about how absurd that was, but in the longer run I'm not sure that he wasn't in a sense right.

People like me are employed by the BBC to broadcast as honestly and as fairly as they can for the BBC. It's not to ponce about, writing in the newspapers and being the chairman of rather nice sounding outfits. It is to be a reporter—an honest and plain reporter. Well, I've got the plainness at least.

I'm glad to see that the European Union now insists that one can go on working to age 70. That has got me just under the door as I am approaching my 60th birthday. I've been given a 10-year chance to continue. But I really would be only too proud, if that's not too pompous a way of putting it, to continue working for this strange but very highly principled outfit.

I was involved, as John said, in one of these absurdly named "friendly fire" incidents in Iraq during the war, and our translator, a good friend of mine, alas was killed. We did a documentary about it afterwards in which we went back to the translator's house. It was a very tense moment as you can imagine for me. I'd had to break the news to his mother when it happened. To go back after three or four months was a very painful and nerve-wracking thing to do. I didn't know whether she might blame me for what had happened.

Instead she and the family were very pleasant because the BBC had actually been very generous to the family, as they rightly should have been. When we came to write the script for the documentary I said that the BBC had treated the family generously and that stayed in for about a week, I think.

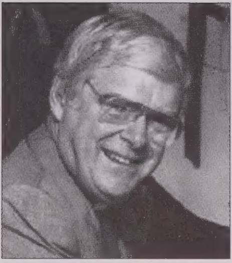
Finally another one of the enormous number of bosses that the BBC seems to engender came to me and said, "You can't say that." So I said, "What do you want me to say? The BBC treated them meanly or something?"

"No, no, no, no, but you can't say generously. You can't praise the outfit like that." And I thought I knew what he meant. I think it's lunatic not to tell people when you have been generous, but there is that sense about the BBC that it wants to be as weirdly, weirdly honest as it can possibly be.

I'm very proud to have worked for it for so long and to have been, as John said, punched in the stomach not only by Harold Wilson but also by, I seem to recall, the president of Austria at one other stage, for asking the wrong kinds of questions. I'm very proud of my colleagues who do keep on asking the wrong kinds of questions.

I'm extremely proud to be here at the Empire Club talking to you. So thank you very much indeed.

The appreciation of the meeting was expressed by Peter Mansbridge, Chief Correspondent, CBC News.



January 21, 2004

The Most Rev. Michael G. Peers

Primate, Anglican Church of Canada

FAITH AND CITIZENSHIP

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

William G. Whittaker, QC, Partner, Lette, Whittake and 2nd Vice-President, The Empire Club of Canada; Rob Brink, Student, The Institute of Christian Studies; Rev. Anthony Jemmott, Incumbent, All Saints Anglican Church, King City; Jocelyn Badovinac, UE, MEd, DH, Specialist in Special Education and Archivist, The Empire Club of Canada; The Very Reverend, Dr. Douglas Stoute, BA, MA, PhD, DD, Rector, St. James Cathedral and Dean of Toronto, Anglican Church of Canada; Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Margaret McMillan BPhil, DPhil, Provost, Trinity College, Author and Winner of the Governor General's Literary Award for "Paris 1919"; and Douglas Swartout, President and CEO, Aon Reed Stenhouse Inc.

Introduction by John Koopman

Your Grace, Reverend Sir, past presidents, members and guests:

To the great English historian Arnold Toynbee, religious faith was, is and would always be relevant to the temporal world. While his contemporaries saw the sweep of history in terms of geography, demography and economics, he saw the rise and decline of civilizations in spiritual terms.

Toynbee's work showed that all civilizations were inevitably rooted in spiritual vision and purpose and how in the fullness of time civilizations inexorably declined when their leaders lost their spiritual vision, failed to respond to important moral or religious challenges, and sunk in the easy comforts of materialism, militarism, and nationalism.

Religious faith is the ally of the nation-builder. It is also the tyrant's eternal foe. Faith, a belief in the transcendent, whether Christian or otherwise, by its very existence suggests that the tyrant's power is limited and that he too must answer to a higher power. That is what King Herod feared 2,000 years ago and what a country like China still fears today: China can live with capitalism but religious freedom is still deemed too serious.

Consider France, which has banned the wearing of head scarves from public schools along with yarmulkes and large crosses—anything that renders the wearer's religious faith immediately obvious. The French politicians have made it clear that 2,000 scarf-clad Moslems are the real targets of the policy, which makes popular domestic politics, although it is very hard to imagine how 2,000 scarf-clad teen-age Moslem girls could possibly be a threat to the French republic. The French response is rooted in the same fear King Herod had: could there be a higher allegiance than the French state?

Often in the West we speak the language of tolerance but in practice, in the name of separation of church and state, build public institutions that instead of being indifferent to choice of religious faith are openly antagonistic to religion in any form.

Happily in Canada, more so than in most western countries, the secular zealots have been held at bay. The RCMP officer who happens to be Sikh may wear his turban, the Moslem girl may wear her head-scarf in class and the members of the Empire Club of Canada may continue to say grace before our luncheons.

The Empire Club of Canada is often graced by Lords Temporal. Today we are pleased to have a Lord Spiritual address us today. The Most Reverend Peers was ordained a priest in 1960. Over the course of his career he has served the Anglican Church of Canada in a variety of positions across Canada. He was elected to the office of Primate by the 31st General Synod in Winnipeg in 1986. In addition to English, Archbishop Peers is fluent in French, German and Russian. He is going to speak to us today on the topic "Faith and Citizenship."

Michael Peers

Over the course of my lifetime, the public role of religion in Canada has steadily diminished. There are reasons for this. For example, the emergence of a multicultural society and the corresponding recognition of the consequences of religious conflict in the past have led us to a kind of hesitant caution. We have treated religion as a dangerous commodity, likely to lead either to conflict or to religiously motivated repression if allowed too much scope in public life. This dynamic is not a new one, and I will return to it later to offer some key instances from the past.

Over the course of the same lifetime, public discourse concerning citizenship has been degraded almost to the point of extinction, replaced by the language of "taxpayers." I believe that these two trends are connected, and that we will need the resources and imagination of Canada's religious traditions, and a renewed public role for those traditions, if we are to recover the practices of citizenship upon which we depend for the common good.

At the same time, I recognize—in fact, I celebrate—that such a renewal cannot be constructive if it is essentially nostalgic. The future we seek will not be served by a return to the old days, in which a distilled and nominal Christianity influenced and constrained public life. Nevertheless, the religious traditions that shape the spiritual lives of Canadians have a vital contribution to make to our public life and the common good.

In about 10 days, I will be the former Primate of the Anglican Church of Canada, a church with 700,000 members (by census) and over 200,000 active members. Those members share, week-by-week, in ancient and deep-rooted traditions and rituals that address the human condition and the human vocation. They listen, week by week, to the voices of ancestors, people of other times and cultures, as they speak in scripture of their encounter with God. Though they hear the same scriptures, they are often at odds over the meaning of those scriptures. Sometimes they explore those differences in patient and respectful conversation, and sometimes in a less respectful, more aggressive and aggrieved way. I know similar dynamics are present in the lives of other Christian traditions, as well as in other religious traditions.

Whatever the public contribution of faith may be, then, it will not be a matter of delivering a moral or spiritual consensus. But what if the point is not conceptual agreement, but a shared probing of divine and human truth? And if that is the case within a single religious tradition, how much more must it be so in the relationship between and among the living religions of the world? Religious communities and leaders are called to stand down from the certainties that bring us into conflict with one another, and to embrace the conversation by which together we might serve the common good. Such a conversion, among people of faith, is a necessary condition for renewing our public contribution to the life of our society. If we cannot, as communities and people of faith, assure our fellow citizens that our discourse is not toxic with the hostility that has too often characterized it in the past, we will not be granted a hearing for the deep and holy wisdom entrusted to our care.

That wisdom is particularly crucial as the field of vision in our society narrows to matters of self-interest for individuals and the groups to which they belong. The devolution by which we have replaced "citizen" with "taxpayer" in the lexicon of civic discourse is only one example of that narrowing. Participation in public life, shrinking rates of volunteerism, the decreasing proportion of eligible voters who trouble themselves to vote, the emergence of "gated" communities, NIMBYism, and a willingness to strip benefits from the vulnerable in order to enrich the strong are all signs that a growing number of our fellow-citizens have lost confidence in the common good.

A key element of constructive self-awareness, both for faith communities, and for society as a whole, is "stewardship." A steward is a person entrusted with the care and use of something that does not belong to him or her. Democratic societies entrust a great deal to our government. Free-market economies entrust a great deal to business and industry. Accountability for the decisions of political leaders is managed through Parliament and the electoral process. Accountability for the decisions of economic leaders is managed through market processes, and boundaries for economic activity are often established by government. Additionally, both economic and political stewardship is affected by the murkier business of "public opinion" or "public mood."

It has probably always been true that societies hold governments accountable in terms of the material well-being and safety of persons and communities. The current emphasis on the economy and security, then, is not an innovation. What is new, however, is the extent to which other concerns have disappeared from the political agenda of our society. A recent premier of this province, for example, could dismiss advocates for the poor as simply "interest groups" and treat them with suspicion and even derision. When those who are vulnerable (by whatever combination of choices and circumstances) are dismissed as an interest group, I would argue that our collective sense of stewardship has become alarmingly narrow and quite possibly destructive of the common good. Since, in the long run, all but the most affluent and privileged members of society are served by the common good, the reduction of public discourse to matters of lower taxes and increased consumption at the expense of, for example, education, health care, and housing will undermine the quality of life for almost all persons in the society.

What we are seeing in our society, where the concept of "citizen" has been narrowed to that part of citizenship that pays taxes, is a narrowing of discourse to such a degree that truth's wideness is lost. Similarly, when "security" is understood in terms other than a common security grounded in the common good, not only does the world become generally a more dangerous place, but it becomes more dangerous for each individual as well.

In response to this narrowing of the terms of reference, religious communities can serve the common good in three ways. The first is that we can explore and then model new forms of relationship in which mutual hostility yields to shared responsibility. The second is that we can bring to public discourse the incredible and expansive wealth of images, possibilities, hopes and warnings that are entrusted to us in our traditions, our rituals, our sacred writings and our histories. Finally, we can offer the spiritual resources of our traditions to persons, communities and societies, rather than asserting the essential and unquestionable truth of those traditions or insisting that we should be entitled to impose them.

We do not need to account for our faith in universal terms, but in the more modest terms—grounded in the particulars of our lives, our time, our heritage—of authenticity, legitimacy, and spiritual value for some or for many. Asking others to tell us how their religious tradition strengthens their human living and contributes to the common good is a sensible and constructive place to begin this conversation. It offers reciprocal respect and the possibility of relationship where, all too often, hostility and separation seem to dominate.

Having entered the discipline of commitment to our own religious traditions without diminishing the traditions of others, religious communities are legitimately positioned to offer critical reflection out of those traditions, reflection that will strengthen the human practices of our common life in society. In the past, religious institutions, and churches in particular, have focused on the kind of influence that comes through advocating particular public policy on issues such as poverty, peace, and economic justice. The impact of such advocacy has diminished significantly over the past few decades. Just as the prophetic tradition in Israel depended on the prophets' privileged access to the kings, so the advocacy model of public witness depended on the access of religious leaders to the policy world of political leaders. That access no longer exists as it once did in Canada, and there is some question as to whether it was ever particularly effective even when it had that access. Included in the cost of such access was co-operation with the government in, for example, the Indian Residential Schools, co-operation that has cost the churches deeply—in credibility as well as in dollars.

The public witness of religious faith needs to shift its main emphasis from the prescriptive practice of advocacy to practices of describing the world, in the public square, in ways that call into question the narrow vision of human life and human economy that dominates contemporary political imagination. Religions, narrative, poetic and legal traditions shaped over thousands of years, create opportunities for human imagination—of the peaceable kingdom (Isaiah), of economic justice (Amos), of compassionate concern for the poor (Ruth, Leviticus), of the end of death's ultimate power (the resurrection narratives). They open up new ground for what we mean when we say "human," and because they offer witness that has stood the test of time, they belong in the public life of our country as we consider shared and public commitments and actions that will contribute to the common good.

That new ground is the ground of imagination, and the crisis of our common life at this time is a crisis of imagination. In a study of the relationship between the Roman Catholic Church and the Pinochet regime in Chile, William

Cavanaugh defines imagination as "the drama in which bodies are invested." In contemporary Canada, that drama is all too often a consumer drama in which persons are reduced to our less noble qualities and our desires are narrowed into the acquisition of stuff, status and, if we are truly ambitious, power.

To this crisis of imagination, religious traditions invite us into the possibility of that there is more to our humanity than meets the eye. It is hard work moving towards the fullness of our human endowment, but there is joy and grace in the work, and in the celebration of that work. We are more than consumers, more than players seeking a market advantage, more than taxpayers seeking to minimize our financial commitment to the common good, more than the fragmented version of our humanity that dominates public discourse and imagination today. It is the work of religious traditions to bring that "more" into focus, to illuminate it by the wisdom of ancestors, to dramatize it in ritual, to exercise it in service, to celebrate it in worship.

In an article in Maclean's magazine in October, 2001, historians Jack Granatstein and Norman Hillmer described the core values of western civilization as "pluralism, secularism, and democracy." In my New Year's Day sermon in 2002, I questioned both the truth and the wisdom of that description, lamenting the ascendancy of one belief system, "secularism" without adequate critical reflection on its meaning or impact. I argued that pluralism and secularism are profoundly at odds in a society such as Canada's, whose members come from a wide range of diverse cultures. Those cultures, I argued then, and continue to believe, cannot be treated as mere "folklore." New Canadians have always come with significant commitments to the spiritual or religious dimension of the cultures that shaped and formed them. Secularism, far from embracing multiculturalism, seeks to reduce those ancient cultures to language, food, and music; it does not welcome cultures—it seeks to cut them off from their spiritual roots.

In response to that sermon, Robert Fulford took me to task in the pages of the National Post. Arguing that religious belief continues to flourish and that any religion seeks political power as it expands, he misunderstood my argument. My concern is not for the wellbeing of religions. Fulford is right; religions flourish, sometimes in ways that are not good either for their adherents or for the world. My concern is not about the lack of political influence of religions in Canada, but about their absence from public discourse and events. That absence removes from religions the sobering reality of public accountability while denying our public life access to the depth and scope of spiritual traditions shaped over thousands of years. This public realm stands between the political and the private. It is a place primarily of conversation, a place in which social values are forged, shared and submitted to critical reflection. Its events do not belong to the government, but to the people. When people gather in memorial services such as the one on Parliament Hill following the events of September 11, 2001, what is in play is the common grief of a community. When the state decides that there is no room in such public occasions for the spiritual traditions by which citizens come to terms with grief, it exceeds its authority. Taken to extremes, such intrusions of political power into the public life in which we encounter one another in moments crucial or pedestrian are the basis of authoritarian or even totalitarian government. Where governments manage public life, human freedom in community is compromised.

I can understand the attraction of a sanitized public life for those who want to preserve social order and public calm. No doubt the absence of religious references in the September 11 memorial service on Parliament Hill took into account the inflamed sensibilities of many Canadians in response to Islam and to Muslims. How much more effective might it have been, though, for the government to function not as "host" of that event, but as an agency that could bring together Christians, Muslims and Jews, Buddhists, Sikhs, and Hindus in a vital conversation about how to share in a public celebration without compromising the traditions and insights of the participating religions? Instead, the government acted to rinse out any reference to religious tradition, wisdom, and history, leaving the impression that the deep beliefs and values of millions of citizens are unwelcome, unnecessary, and probably destructive in public life. No longer able to keep religions apart, we have decided to keep them invisible. That is not good enough, and it will not work. As a British Columbian by birth I can remember when it was against the law for a priest to wear a cassock on the street—a law reflecting 19th-century anti-Roman Catholicism. As a UBC graduate I recall that the early 20th-century charter of that university expressly forbids the teaching of theology (embarrassing when the university wanted to cash in on the booming field of religious studies in the 1960s and '70s). A more serious contemporary and thorough example of the same diehard secularism is the dangerous decision of the government of France to deny to young Muslim women the headscarf, to young Jewish men the skullcap and to young Christians a cross of any significant size (such as this one). Contrast this with the Canadian solution which allows Sikhs in the RCMP the traditional turban. A conversation among religious communities and leaders, held in the open air of public life, can be held accountable to the common good, a good which each religion claims to serve. And that conversation can, at the same time, raise up images of the fully human life that transcend the injustices and banalities that reduce the complexities of citizenship to the more manageable calculus of "citizen" and "consumer."

Both of these outcomes are vital—not to the well-being of religions, but to the well-being of society. Religious communities and leaders can remind one another and society at large of the dangers at hand when spiritual vision is abandoned in favour of the endless struggle for stuff, status, and power which can easily dominate the public imagination.

One way of understanding the role of religious faith among citizens has to do with human motivation and behaviour. A citizen may obey the law because it is prudent to do so. The state, after all, has the power to enforce the law and to punish those who do not obey it. But there can be no effective civil law that compels such things as generosity, service, and compassion. Even the 40 hours of community service required for secondary school graduation in Ontario can be fulfilled grudgingly and without accomplishing any substantial good in society, or any meaningful commitment to service in the lives of students. Society is protected from our worst behaviour and its consequences by legislation, enforcement, and consequences. But legislation cannot call out the best of our humanity. And while I would not want to claim that only religions can fulfill that role, religions have—at their best—contributed to human willingness to sacrifice personal desires for the good of another, and personal comfort for the safety or well-being of another.

This conversation belongs in the public life of our country. The religious traditions that express the spiritual lives of millions of Canadians can help us understand and reach for the best of our humanity.

Faith and citizenship can nourish one another, if faith will be modest in its certainties and committed to a common interest in the common good, and if citizenship will expand its vision beyond the narrow boundaries within which it is constrained.

The appreciation of the meeting was expressed by Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada.

January 29, 2004

The Hon. Gerard Kennedy

Minister of Education, Province of Ontario

"EXCELLENCE FOR ALL"

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Thuva Thayaparan, Grade 11 Student, Stephen Leacock Collegiate Institute; The Most Reverend Terence E. Finlay, Archbishop of The Diocese of Toronto and Honorary Chaplain, The Empire Club of Canada; Michael Peters, Grade 12 Student, North Toronto Collegiate Institute; Marni Schecter, Director of Development, The Pathways to Education Program; Sue Herbert, Deputy Minister of Education, Government of Ontario; Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada; Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; Harold Braithwaite, Former Director of Education, Peel District School Board; Dr. Avis Glaze, Director of Education, Kawartha Pine Ridge District School Board; Gerri Gershon, President, Ontario Public School Boards' Association; and Heather MacTaggart, Executive Director, Classroom Connections.

Introduction by John Koopman

Your Grace, Reverend Sir, Your Honour, past presidents, members and guests of the Empire Club of Canada:

It is great to have an activist of Scottish descent here at the Empire Club of Canada in our 101st year.

One hundred and one years ago, it was a Torontonian activist of Irish descent who was regularly in the public eye. Mother Jones was raised in Toronto, the daughter of Irish immigrants. Her real name was Mary Harris and she studied at the Toronto Normal School. If not for a certificate attesting to her good moral character from the priests at St. Michael's Cathedral, just a few blocks from here, she might never have moved to the United States and eventually help found the Wobblies (The Industrial Workers of the World).

Mother Jones was deeply interested in universal school access. In 1903 at the ripe age of 73, Mother Jones went to Kensington, Pennsylvania, where she documented 10,000 children under 15 years of age who were working full-time. In a single block in that town, she documented 22 children who were working full-time who were under the age of 12.

In order to call attention to the problem of child labour and the need for universal school access, Mother Jones led the Children's March, a caravan of striking children on a walk from Lexington, Pennsylvania, to Oyster Bay, New York, the home of then-President Teddy Roosevelt. They reached Oyster Bay, but President Roosevelt refused to meet with them and the children of the caravan were driven back to work by hunger. Mother Jones lost that battle but before she died in 1930 at the age of 100 she had won the war, as she paved the path that made politically possible the New Deal legislation of another president named Roosevelt.

Describing herself she said: "I am not a humanitarian; I'm a hell-raiser. Pray for the dead, but fight like hell for the living."

I do not know if Mr. Kennedy prays for the dead, although I suppose a good Irishman should. I do know he fights for the living.

Ross Perot once said: "The activist is not the man who says the street is dirty. The activist is the man who cleans up the street." Since the recent Liberal election victory, and his appointment as Minister of Education, Mr. Kennedy's broom has been active. A moratorium has been placed on school closures, the teacher certification as we know it is ended, and sugar-laced carbonated beverages are coming out of the schools' vending machines.

From 1986 to 1996 Mr. Kennedy was Executive Director of the Daily Bread Food Bank, which distributes $30-million worth of food annually to over 150,000 people. For his work with the food bank Mr. Kennedy was awarded an honourable mention as the Financial

Post's CEO of the year in 1995. He was first elected to the Ontario legislature in 1996.

Members and guests, please join me in welcoming the Honourable Gerrard Kennedy, the Minister of Education for the Province of Ontario to the podium of the Empire Club of Canada.

Gerard Kennedy

Thanks very much. It is certainly a great pleasure to be here today. I visited the Web site of the Empire Club and found that I'm the fifth education minister who's been invited to speak to you in 100 years. The pacing has been somewhere from 16 to 40 years and while I am very glad to be here I feel pretty responsible because you may not see another for about 20 years.

The good news is that if you look at the past programs they have a lot of education experts in their repertoire and there is actually a room-full here today who could qualify, so I don't feel as much pressure to provide education expertise, because I stand before you not as an education expert, but basically as a lay-person. I did have four years as education critic, visiting schools—mainly classrooms, staffrooms and almost as many principals' offices as what I saw in my regular academic career. I was generally forced by my lay person's status to talk to students about the double cohort, the tag-and-cap program, which some of the students here will recognize and maybe moan and groan about, and a range of things in terms of the education experience. I do have some minor inherited qualifications. My mother was a schoolteacher and my father was a school board trustee. That doesn't actually qualify me but I'll throw those in just in case.

My purpose here today is simply to tell you where we are going in education. I am very glad to have this opportunity and there couldn't be a better time to be talking about education. From our government's standpoint, we believe in bringing forward a plan to make Ontario's education system again one of the world's leading education systems. I want to tell you how we are going to do that. I want to talk to you also about how we have to do that before it is too late and how you—the people in this room and the people who may be watching—have to be part of making that happen.

We've got, I believe very strongly, today in Ontario a unique opportunity to do education right. We have the first Ontario leader probably in a generation who wants to be known as the education premier in Dalton McGuinty. This morning, the premier was at a school in Mississauga promoting the school program for healthy kid activation.

We've also got a record amount of public interest. It's only been in the last year and a half or so that people have really paid attention to education and suddenly it is right up there with health care.

There is a coming together of real factors. There's a recognition of the value of education to the economy. Other jurisdictions have been trying very hard in this area. We have a lot to be proud of in Ontario but the fact is we're in some ways standing still in comparison to some of those other places that have made that recognition part of active public policy.

There is, I think, a disappearing opportunity for people who have lower education attainment. About 100 years ago, when this club was getting underway, my grandfather was ending his academic career at grade six. He went on to become a logging superintendent. That's not really possible for your kids or my kids today.

It is instead an environment, some will call it a knowledge economy, where we have only one choice to go forward and that is with a tremendous amount of education being available much more widely than it has been in the past.

One of the most under-represented things I think about education is what has been done about cohesion. Successive waves of people have come from different countries and have been able to peacefully co-exist. What have been the agents for that? I think we under-rate and give too little credit to the most obvious nominee—the education system—that has brought people together.

Education in Ontario, I think, has unfortunately come to a crossroads. People have seen years of turmoil, and reforms happening not always for apparently clear purposes. This has created a problem for many parents and has alienated some. I speak mainly of the number of children who've been directed to private schools; a 40-per-cent increase in the last eight years. Two hundred new private schools have opened while 400 public schools have been closed. Canadian, Ontarian, society is essentially built on a promise that you will be defined not by where you came from but by where you are going. That you will actually be able to go as far as your abilities and your willingness to work hard will take you. I stand here today as a Minister of the Crown to tell you that I don't think that's necessarily true in this province of Ontario where we want and absolutely need for that to be the case.

The private school tax credit that the last government put forward and public funding for private schools show that there is a choice ahead of us—a choice that all of us have to make. Does this idea of education become one that we just address privately or do we do what we've done for generations, which is pool our challenges and our risks? I have a 5-year-old and a 14-month old and one of them could become a $27,000-a-year child, which is the most the system will provide for someone with special needs. And someone else's child here today could be one those ready-to-learn kids, a $1,200 student. The point is we get to blend that together. That's the point of public education. If people continue to exit the system, it will undermine our ability to be able to raise taxes, because people aren't going to be as willing if it becomes a real legitimate lifestyle option for people to pull their kids out of the public education system.

So yes, one of our early accomplishments was to cancel the private school tax credit. We did that so that the $500 million that we estimated it would have cost was available to public education but we have no illusions that that action is sufficient. The real job ahead of us is to create confidence in publicly funded schools. And this can only happen if we both deliver and are seen to deliver high quality in each and every one of those schools. And that is what we propose to do over the next four years.

We have a program and it is called Excellence for All. Yes, we mean excellence, but the "for all" part matters quite a bit as well. What we are saying about the future of public education is that there need to be good outcomes now for every student that is enrolled; not just the ones that are traditionally headed for colleges and universities.

And we want to have those good outcomes well-defined, so you can tell how well your public education system is doing. Some of them are universal because we believe fervently that every child can learn. We believe that, for example, by the age of 12, children should be able to read and write and comprehend to a very high level. We also believe that we want children to have exposure to the arts and daily physical activation as a mandatory part of their school experience.

But there are other outcomes that have to recognize the diversity of the students we have coming to us and that means the system has to adapt to fit to the students, not the other way around. I'm thinking particularly here (and this is a number that not everybody is familiar with) that 50 per cent of today's grade nines are either not going to graduate or they are going to go directly to work from grade 12. That might have been acceptable in the day of my grandfather, and I know it did work for a number of people in my era but it simply can't today. We know we are going to see those students again in contact with social services, possibly even the justice system, and so on.

So how do we get to that excellence and the good outcomes that I'm talking about? Well we do it by being very focused. Your new government's first and most important priority will always be excellence in public education. We have other things we have to do. This one matters the most. We demonstrated that in December when, even in the midst of a struggle in terms of our fiscal situation, we put forward $112 million of funding intended to help the students who were most likely to be left behind attain better outcomes in terms of literacy and innumeracy. These are children from single-parent households, low-income families, from recently immigrated families, who are going to do well if they get the extra assistance in a timely fashion. We felt that those children could not wait.

A lot of people I find approach public education as if it is about competing interests. I think a lot of that comes from the turmoil that they've seen in recent years. There has to be a unifying purpose. And in fact it exists in the two million kids that are in our schools.

We want as a government to set an agenda, we've said we want to see higher student success, and we've said we would like to raise the school leaving age to 18. And we want to see smaller class sizes. But we're not afraid of what is really the harder job. The harder job is to galvanize and motivate and mobilize all people in the education system and have those goals taken up in ways that can be agreed upon. I depend on everybody else to make anything that we might want to have happen as a government real for the students of this province.

We are operating on a scrupulous policy of respect for the 700 trustees, the 4,500 principals, the 120,000 teachers and the 60,000 support staff who are actually doing the work of public education in schools day in and day out. We appreciate the hard work that they're doing. There is some great stuff happening in our schools. There is a tremendous amount of dedication out there already being harnessed. I wouldn't stand in front of you today and make the claims that I am on behalf of our government if I didn't know that that was being accomplished.

We appreciate the work that's happening, we see the people in education as our assets. We don't see them as our problems. We don't see the point for a government to simply take over another level of government when they have a dispute. We acted quickly to get some of the powers back to local school boards that had been taken over. We have made that happen in Ottawa and Hamilton and we're working on what we hope will happen soon in Toronto.

I travelled the province early in my mandate and met with 75 per cent of the elected trustees in this province at orientation sessions held for the first time. A new government and a new school board started at the same time. My elected colleagues are people for whom we need to show respect. We need all the directors of education and others to have success at the local level if we are going to do education properly. We cannot run 5,000 schools from Queen's Park. We've pledged, as has been mentioned, to get rid of a divisive and ineffective teacher-testing program. We are doing that not because we care less about teacher excellence; we are doing that because our assumption is that teachers care about teacher excellence as well. We don't need to impose something to get that to happen. In the Throne speech you might have noted as well that there is going to be a premier's award for teacher excellence.

There is good will out there and the dividend from good will goes not to the governments but to the students who are there.

We are soon going to be convening an education partnership table. We have invited the teachers, the support workers, the parents and students. We'd like to have participation from the community and from business about the future direction and the policies of education in this province. We have tremendous faith that with those people in the room we'll be able to achieve our goals. We have tremendous confidence overall on what can be done in public education.

As we try and change from conflict to co-operation, it doesn't mean that we are not going to be making demands on the education system. We will but we intend to make them fairly. For example, we intend to look at schools and ask how they are doing but we are also going to ask what help they need. It is not fair to compare schools that have different challenges. Right now, you see test scores published in the paper and these are probably mostly being used by real estate agents to promote certain neighbourhoods. The idea really is to learn where the needs are.

I had the opportunity to spend over two days in what I would characterize as inner city schools in Thunder Bay, Guelph and Toronto and they had extremely similar challenges. To me, those are the schools that need to be talking to one another, those are the ones we need to have sharing ideas. Those are the ones where it is fair to ask how they are doing compared to the other guys and ask if they have something to share.

We can't talk about accountability in modern-day terms without having people taking responsibility. We will. The entire point of testing is to use those results to assist people. We have spent $200 million testing kids. We have spent very little money actually helping them to do better. We will change that. If we don't make our targets, it will not be somebody else in this room whose job is on the line; it will be mine.

In drawing up our "Excellence for All" program we really tried to use the best ideas.

We are going to set outcomes and we are going to really try hard to unleash the enterprising of the teachers and the principals at the local level.

When we put out the $112 million to encourage literacy and numeracy in kids who were struggling, we didn't stipulate it had to be spent a certain way. We didn't send out forms in quadruplicate or say that a certain number of literacy coaches or that many math tutorials had to happen. We asked the boards to show us that they could get results and demonstrate to us and the public that they could actually improve things and report back the results to us and their community. That's the kind of relationship we need to have—a connection between the community and the results that are being attained with not just dollars but a commitment.

I want to interest people in this room in another issue because it affects us and it's fairly urgent. That's the record number of high school students at risk. You may have heard mention of a report last week that says we're headed for a record number of students not getting their high school diplomas. It is interesting because the curriculum that is potentially contributing to that situation was meant to have the opposite effect. It was meant to graduate more. It was meant to do a better preparation for college, university and work.

Now it may be working for the university stream. There seems to be more students prepared, but when it comes to the college stream or even the work stream there are a lot of kids at risk. The good news is that 32,000 of them came back this year and to the best of my knowledge they are still in school. If they are watching this program, I have one message for them: stay there. We have help not just on the way but underway and there is a student-at-risk program, which should have been there all along.

One thing I can't convey to you adequately here today is the amount of discouragement, stress and strain in the heads of the kids I have been visiting in the schools. Having them battle with literacy tests and some of the problems in the curriculum on their own simply isn't fair. I can't say that we are going to be able to make a lot of difference but we're certainly going to try. There are 72 school boards out there and they're going to need literacy tutors, math tutors, and people to make sure that the futures of these particular students aren't cut off.

We don't accept the dropout rate we have now. When I first say we're going to keep kids in school and change the school leaving age from 16 to 18, secondary teachers usually look like they want to throw something at me. I appreciate that there are students in classes who are frustrating. That's not what we have in mind. What we have in mind is giving a job to public education that hasn't in my estimation been done well anywhere else. And that is a good outcome for these particular students—a place for them to end up that is worthwhile. That could be a broadening of apprenticeships, of co-op programs, of some of the vocational programs but it's about upholding a place of dignity for those students.

We think there is a way forward. Experience tells us that we have a good advantage when it comes to public education. What we have to become better at is transferring some of the ideas and the approaches around that system in a much effective manner. That, we think, is an appropriate role for us—not seeing whether the forms are filled in properly.

There's a range of things that we can be doing and you are probably feeling that the future of education in Ontario is not uniform. The one thing that is uniform is our intent. Our intent is for students to do well. We are going to be very very interested and involved in the outcomes per students and the premier and I will be talking to you about the kinds of things that we think are necessary. But we want to get out of the way of the local school.

Obviously most of the things I'm talking about in terms of doing better are going to cost money and we have some challenges in terms of the overall fiscal situation that we found as we came into office. We are going to have to deal with that challenge. But if I may I want to quote from a previous education minister's speech: "I strongly endorse this view that our shrewdest and most profitable investment rests in the education of our people." This was said by the Honourable Bill Davis in 1966 when he was here as education minister.

I want to speak now to people of my generation—people who had a good education handed to them. They were able to go right to university and when I really want to get the OAC classes worked up I talk about how little I paid to go to university. There is an obligation for people to get interested in what's happening at their local schools. It is time to make an appointment with the principal to sit at the back of the class the way we try to get every MPP to do and find out what the challenges are, how many English-as-a second-language kids are there and how many of them aren't getting the attention they could for the worst of reasons going, that we don't have that little bit of extra resource directed their way. Can you think of a worse reason not to get an education? That you weren't able somehow to acquire the language of instruction.

There are terrific people within the education system. They need to learn how to work with people without and the rest of us have got to learn how to bring back to education the central consciousness that it really requires, because all the challenges that I think that I face and the students face and ultimately we all face are based on a society that has its focus in the right place. I certainly commend to you that whether it is the local school councils (most of them are begging for membership), whether it is participation in some of the non-profit groups that are out there making contributions to the betterment of schools, whether it's the school boards themselves and the committees and support that they need and the attention and respect that they deserve, there are ways for you to plug in. I would like to invite you to connect to me as Minister of Education to the effort we're making. It is not just about government giving you education; it's got to be a society that wants it and is prepared to sacrifice something to see it happen.

Thanks very much for sacrificing some of your time with me this afternoon.

The appreciation of the meeting was expressed by Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.

Catherine S. Swift, President and CEO and Chair of the Board, Canadian Federation of Independent Business and Director, The Empire Club of Canada, Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada, The Hon. Gerard Kennedy, MPP, Minister of Education, Government of Ontario and Sue Herbert, Deputy Minister of Education, Government of Ontario.

February 16, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Tony Clement

Candidate for the Leadership of the Conservative Party of Canada

IT'S TIME FOR CHANGE

Chairman: **Ravi Seethapathy**
President, The Canadian Club of Toronto

Head Table Guests

John Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada; Jon Levin, Partner, Fasken Martineau LLP; Tom Long, Partner, Egon Zehnder International Inc.; Bill Saunderson, Chairman, Ontario Exports Inc.; Barbara Hall, Director, The Canadian Club of Toronto; Elena Hoffstein, Partner, Fasken Martineau LLP; Claude Lajeunesse, President and Vice-Chancellor, Ryerson University; John Tory, Barrister and Solicitor; Blair McReadie, President, Ontario PC Party; The Hon. John Crosbie, Chancellor, Memorial University of Newfoundland; and Robert Dechert, Partner, Gowling LaFleur Henderson LLP and Director, The Empire Club of Canada.

Introduction by Ravi Seethapathy

The next federal election will see something that has not been seen in this country for nearly two decades—a united right. Up until now, the "right-of-centre" votes have been split between two parties, much to the delight of the Liberals across the land.

With the formation of the Conservative Party of Canada on December 6, 2003, right-wing politics in this country is no longer divided except in one crucial way: they have yet to choose a leader. We are delighted today to introduce the first in a series of three events—the leadership contenders for the Conservative Party of Canada.

We start with the candidate who is certainly the best known in Ontario. Tony Clement has been a committed member of the Progressive Conservative party since he was a teenager. He was president of the party, and a key architect of the famous Common Sense Revolution that propelled Mike Harris to power in 1995.

He served the Tory government in various capacities—as Minister of Transportation, the Environment, Municipal Affairs and Housing and finally, Health and Long Term Care.

Tony Clement was at the forefront of this province's battle with SARS. He received widespread acclaim for his tireless and compassionate leadership during that crisis.

At the national level, Tony Clement was also one of the first to recognize that the right wing could not remain divided and win. He was a member of the steering committee of the United Alternative in the late 1990s—the first and ultimately unsuccessful attempt at merging the Reform and PC parties. When the Reform party gave way to the Canadian Alliance, Clement was that party's co-president. And now that the right has finally united under one banner, Tony Clement is putting himself forward as the person best suited to carry that banner in the next election.

Winston Churchill once said:

"We make a living...by what we get,
but we make a life...by what we give."

Our guest today has given a great deal to the political life of this province and this country, and we are delighted to have him with us today.

Ladies and gentlemen, please welcome to our podium today, Tony Clement.

Tony Clement

Over the last six extraordinary weeks, and especially in the past few days, I have felt that I am participating in a great awakening among Canadians. I have been meeting people who, for 10 years, have been trapped in a dream state where there was no choice but to accept the sad and simple fact that they were destined to be misgoverned.

All of you in this room have lived this nightmare. To hear our government say one thing and do another. To hear them mouth commitments to causes like health care or democracy—empty phrases repeated over and over again—while at the same time cutting funding to health care and turning Canada's civil service into a money-laundering operation for taxpayers' money.

The last six months have seen the nightmare turn almost surreal. The Finance Minister who personally chose to cut health-care funding instead of the waste in Ottawa, the Finance Minister who authorized the cheques for the HRDC billion dollar boondoggle, the Finance Minister who gave Sheila Copps her massive Heritage budget and backed Alan Rock's useless gun registry is now claiming to represent change and promises that now somehow things will be different.

But in the last few weeks, as Canadians have begun to waken from this horrible dream, the plot has begun to turn against Paul Martin. There have been police raids of the offices of key Martin operatives in British Columbia; the alarm has started to beep.

Then there was the disclosure that Canadians were lied to. When asked how much Paul Martin's company Canada Steamship Lines had received from the federal government in contracts and subsidies, the official answer was $137,000. Now the truth comes out—$161 million. It wasn't a typo; it was a lie. If the truth had been available a year ago, Paul Martin might not be prime minister today. This time, Canadians are not hitting the snooze button.

And now the Auditor General's report. The closest Canada has come to our very own Enron. Wide-scale looting of the taxpayers' coffers to benefit the friends of the Liberal party. And Paul Martin was the Chief Financial Officer of this crooked enterprise. As CFO, he was either implicated or incompetent. Either way, he is accountable. Enron's CFO is on the way to jail. Paul Martin still thinks he deserves to be CEO. Mr. Martin, that ringing in your ears is the sound of Canada's alarm clock. Canada is awake.

We all know the sad political fact that contributed to the last 10 years of Liberal government. The Liberals were gifted their monopoly on power through the split in conservative supporters. Friends, that is about to change. The merger of the Canadian Alliance and the federal Progressive Conservative parties represents a major turning point in the history of our country. In the coming election, Paul Martin and the Liberals will finally be called to account.

But simply merging the two parties will not be enough to unseat the Liberals. Canadians will need to know that they have not only an alternative party to choose from but an alternative to the current prime minister.

Change starts with trust, and it starts right at the top. When Canadians cannot trust a prime minister's recollections and assertions, it is time for a change. I am offering that credible change that Canadians can trust.

My decision to enter federal politics didn't just happen a few weeks ago. I know from first-hand experience that change and trust go far beyond the headlines of the past weeks. When the federal government offered Canadians nothing more than a deafening silence in the midst of our battle against the SARS virus, I came to learn the hard way how much a lack of national leadership can hurt.

The health-care issue may be closest to my heart and I'm not sure that will be a flaw when I'm prime minister, but the refusal of the Chrétien-Martin Liberals to work with a province in distress is not unusual in this country. In fact, it's their modus operandi. Whether it was appropriate and stable health-care funding, or a national environmental strategy, or transportation infrastructure for our cities, the Chrétien-Martin Liberals have been interested more in divide-and-conquer and agenda manipulation than in positive solutions. I have seen this first-hand, having attended 11 federal-provincial conferences in my time. And, as the next prime minister, I will change this first.

The constant war between federal and provincial governments is a crucial component of the Liberal strategy to preserve their grip on power. By pitting region against region they have created an environment in which they can pretend to be representing the national interest against regional factions. Our country deserves better than this.

As prime minister, I would hold it as my mission to serve the nation by treating the issues raised by our provincial premiers with the respect they deserve. I would serve as a truly national leader by seeking to bring our Dominion together rather than sowing the seeds of discord and tearing at the very fabric of our federation.

Let me give you three examples of how my vision would work in practice.

For more than 10 years, the western provinces have sought a fair and reasonable hearing on the issue of an elected Senate. They have been rebuffed. The fact is that when Paul Martin visits the West he mouths the commitment to democratic reform in Canada. But in Ottawa he has already made it clear that he is in favour of democracy—right up until the moment where there might actually be a vote. Let's face facts: he will never move to reform the Senate. I say it's time.

If elected prime minister, I pledge to appoint any senator elected by a province. And after suitable time to allow for proper scheduling of such elections, I will only fill Senate vacancies in such a manner. I believe those elected will serve our nation much better than Liberal fundraisers and party operatives. I will also support the efforts of interested provinces in putting forward the constitutional amendment required to finally enact true Senate reform.

Second, the Atlantic provinces. They have fought for years to secure the revenue from their offshore resources.

These non-renewable resources are no different from those, which have made Alberta among the wealthiest provinces in Canada. But in the case of the Atlantics, 81 per cent of those revenues have been clawed back from federal equalization payments. Let me be blunt: Finance Minister Paul Martin always preferred to control the wealth of Atlantic Canada from Ottawa rather than allow the people of those provinces to make their own choices. As prime minister, I will end the revenue clawback. It's time.

Seeing Canada's governments actually work together for the benefit of their citizens, in both official languages, is only part of my vision, because there are substantial duties and obligations of the federal government in Canada. Later this week, at the Confederation Club in Kitchener, I will be addressing what I see as the priorities for the federal government including tax reform for this generation and the next. Today, let me move on to talk briefly about how I see Canada's role in the world.

First, I confess that for a Conservative I am a bit of a Pearsonian. Canada's role in peacekeeping makes me proud. And from time to time, Canada can still and should punch above its weight. The global campaign against land mines was a noble cause and I will in genuine non-partisan good faith applaud those Liberals who laboured on that cause's behalf.

But today, even when we punch above our weight, the punch is packing less weight than ever before. That's because with Paul Martin as Finance Minister, our Armed Forces have been starved. The 98-pound weakling we now represent does not have the power we need to achieve the grand aims we should have for the world.

We desperately need to re-invest in our military. We need to grow defence spending at least 3-per-cent faster than GDP growth until we abolish the defence deficit and truly reinvest in our military and coast guard. This year, our brave soldiers are in the front lines in the Balkans and in Afghanistan. They, like the nurses and doctors fighting SARS last year, need to be supported. And the decision to have them fly 40-year-old Sea Kings and drive 20-year-old jeeps with cardboard flooring was made by the same man who has consistently failed our health-care workers—the man who wants to be our Liberal prime minister for the next five years.

We also need to act on our principles on the world stage. I believe that Canada's highest duty is to promote democracy and individual freedom to the nations of this earth not yet so blessed. Today, our Ambassador to the United Nations is more likely to be voting with the dictators and aligned against democracies. And our foreign aid is all too often aimed at nations where we already know the aid does not reach its destination—ending instead in the Swiss accounts of kleptocrats.

Canadians are by their instinct multilateralists. So am I. But today, I have little faith in the United Nations. It has become a talk shop where the world's atrocities are explained away, or swept under the carpet; it has become a substitute for courage and action.

Canada needs to lead again. As a sovereign and respected nation. On the world stage. That means leading the campaign for a renewal of the United Nations—through a new San Francisco Conference—as a body where the nations who champion democracy and freedom can achieve their aims and help those who aspire to those rights and freedoms attain them. It's time.

Finally, our relationship with the United States.

Today, with softwood lumber and BSE as crucial issues facing our nation, our relationship with the United States is in a sad state of disrepair. There are those I know who hope against hope that with Chrétien gone things will get better. But there is no reason to believe that change will occur here either. Key Martin backers who hurl vulgarities at the Americans and have therefore inflamed the tense negotiating environment over softwood and BSE are still in the Liberal caucus.

As prime minister, I will commit our nation to helping secure our continental borders in close collaboration with our greatest friend, ally and neighbour—the United States of America. With a secure border, a re-tooled military and a re-affirmed commitment to fighting for democracy, I am convinced that we can secure the free flow of our goods across the U.S. border and a common sense resolution of the trade issues that have plagued us for so long. We can do better. It's time.

In March, our new party will make a choice. The last three elections have been won by the Liberals because they were always able to make the election about us instead of them. We have seen this movie again and again over the past 11 years. Make no mistake: if we select a leader who cannot speak to all Canadians in their native tongue, the Liberals will once again have the chance to run against us instead of us running against them. If we select a leader who has already put on the record views about Canada, Quebec and Atlantic Canada that build walls instead of bridges, the election of 2004 will be a replay of 2000.

But with the Auditor General finally exposing the truth in Ottawa, I am convinced that if—and only if—we choose correctly, we can win.

I am ready to go toe to toe with Paul Martin and take this message to the people of Canada. I am ready to put my experience, my bridge-building abilities, my heart and my soul in the service of this, our next great cause.

Canada has an exciting journey ahead of it, one where our values and ideals can be applied to heal our government, mend our federation, and prove valuable to the rest of the world.

This journey is upon us, ready for embarkation, missing only the leader and prime minister who can commence it with vigour, ethical clarity and vision.

Join me and it can be so!
Thank you.

The appreciation of the meeting was expressed by John Koopman, Vice-President, Spencer Stuart Canada and President, The Empire Club of Canada

Claude Lajeunesse, President and Vice-Chancellor, Ryerson University, Tony Clement, Speaker and Guest of Honour and Bill Saunderson, Chairman, Ontario Exports Inc.

January 17, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Stephen Harper

Candidate for the Leadership of the Conservative Party of Canada

CANADA DESERVES A BETTER GOVERNMENT

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Haroon Siddiqui, Editorial Page Emeritus, The Toronto Star and Director, The Canadian Club of Toronto; John MacDonald, Grade 11 Student, De La Salle College; Rev. Canon Kimberley Beard, Christ Church, Brampton and Director, The Empire Club of Canada; John Yakabuski, MPP, Renfrew-Nipissing-Pembroke, Progressive Conservative Party of Ontario; Michael Coates, President and CEO, Hill & Knowlton Canada; Toby Barrett, MPP, Haldimand-Norfolk-Brant, Progressive Conservative Party of Ontario; Malcolm J. MacKillop, Partner, Fraser Milner Casgrain LLP and Director, The Empire Club of Canada; John Baird, MPP, Nepean-Carleton, Progressive Conservative Party of Ontario; Kevyn Nightingale, Partner, International Tax Services Group LLP and Treasurer, The Empire Club of Canada; and Ravi Seethapathy, PEng, Audit Associate, Hydro One Networks Inc. and President, The Canadian Club of Toronto.

Introduction by John Koopman

On September 2, 1898, deep in the Sudan, a young lieutenant named Winston Churchill was riding south with the 21st Lancers. The Lancers were a cavalry regiment in Lord Kitchener's Army sent to retake Khartoum after the Mahdi Revolt and the murder of General Gordon. On that day Churchill took part in the last cavalry charge ever made by the British Army. It was a foolish charge; Churchill was lucky to survive. No rather, we are lucky Churchill survived.

Churchill did not meet his maker for almost another 70 years but long before he died he saw the horror of Hiroshima and how technological advance made terrible the face of modern war.

That same technological advance that changed war also changed civil society, but Canada's established political parties were slow to understand its implications. Intellectual leadership came from the left as the CCF (Co-operative Commonwealth Federation) had grasped quite rapidly that for the first time in history economic growth, made possible by technology, permitted, and indeed social cohesion demanded, re-distributive programs that society could not possibly have carried only a generation earlier.

In 1933 at its first convention the CCF published the Regina Manifesto. The manifesto demanded:

- Universal old age pensions;
- Universal health insurance;
- Children's allowance;
- Unemployment insurance; and
- Worker's compensation.

Although mundane today, this was controversial stuff in the middle of the last century. The founders of the CCF have long left us but would undoubtedly concur with Churchill, who after Khartoum had been retaken wrote: "It would be rather a good thing to carve on the pedestal of Gordon's statue in Trafalgar the significant, the sinister and yet somehow satisfactory word "avenged."

Lest you get a little too nostalgic about the CCF, the Regina Manifesto concluded by saying: "No CCF government will rest content until it has eradicated capitalism and put into operation the full program of socialized planning..."

But the wheel of history does not stop turning. Since Churchill's demise intellectual leadership has passed from the left to the right as we have discovered, to our collective regret that money does not solve many social problems. Money failed to make a success of President Johnson's Great Society. Countries like Canada, that have constructed regional economic development programs based on granting agencies, have failed the world over, and transfer payments have not solved the challenges in our aboriginal communities.

From Thatcher's privatizations, to NAFTA, to school vouchers in the USA, to balanced government budgets in Canada (which the former Reform party made politically palatable) intellectual thought leadership on every major political issue of any substance in recent decades has come from the right. Seventy years after Roosevelt's New Deal it is now the left that is caught in old, tired, empirically empty, failed shibboleths.

Our guest has been a thought leader throughout his political career. In 1993 he was elected to represent Calgary-West and served as the Reform party's Chief Policy Officer. He left Parliament to lead the National Citizen's Coalition in 1997, and in March 2002 he was elected leader of the Canadian Alliance. His political career started in 1985 when he was a parliamentary assistant to a Progressive Conservative MP. He is now a candidate for the leadership of the Conservative Party of Canada.

Ladies and gentlemen, please join me in welcoming Mr. Stephen Harper to the podium of the Empire Club of Canada.

Stephen Harper

I grew up here in Toronto. I went to public school in Leaside—back in the days when my family could afford to live in Leaside—and to high school in Etobicoke. My father worked at Imperial Oil, just up on St. Clair.

I did not grow up in the halls of power. I was not born into a powerful or political family. And so to find myself asked to speak at the Empire and Canadian Clubs is quite an honour.

There are great changes happening in federal politics, and it is great to have one united conservative opposition party in this country.

There are achievements of which I am proud as Leader of the Opposition. When I took over, there were three conservative parties in the House of Commons. Mine—the Alliance—had two caucuses of its own. They were all up to their eyeballs in red ink, and so immersed in fighting over "conservative unity" that they didn't stand for anything between them.

Today, we have one party, with money in the bank, and with a caucus that has been focused, disciplined, and offering alternative directions for the country.

In the past several years, we have taken strong positions—on foreign affairs and defence, criminal justice, democratic reform, federal budgets and equalization to name just a few.

Today I am releasing a position paper on environmental policy. It deals with proposals to improve air quality and reduce smog; to safeguard oceans from polluters; to clean up contaminated waste sites and brownfields; to give farmers access to environmentally friendly chemicals; and to co-ordinate strategies into the development of alternative energy.

We offer this as an alternative to the Liberals' obsession with the Kyoto Accord, an agreement which, if ever implemented, will cost us billions of dollars and do nothing to make our air cleaner, our water purer, or preserve our precious natural heritage. What's worse, it encourages Canadian companies to move activities to countries with much worse track records than our own on environmental matters.

When I first accepted the invitation to speak today, I was planning to speak about the environment. But, given the events of the past week, I think that you would all be disappointed if I were to not speak about the increasingly serious political crisis in Ottawa.

One week ago today, the Auditor General was finally allowed to release her latest report. In the seven days since then, the Paul Martin government has been in turmoil over its findings about corruption in his government, and Mr. Martin's public support has plummeted every single day.

That report of the Auditor General actually contained many revelations, any one of which, on its own, would have made for a week of headlines about Liberal incompetence and waste. For example, the Auditor General reported that in 2002–03 the federal Liberals used your tax money to pay for partisan election-planning polls. In any other year, that finding, on its own, would have been a serious scandal and kept everyone in Ottawa tied up in knots for at least a week.

To take another example, the Auditor General also reported that the federal government spent $7 million hiring consultants to help Indian bands in financial trouble without open bidding for the work, and without much assessment of their work. In some cases, the consultants did nothing other than visit bands twice a month to deliver the cheques.

Of course, we already knew that this country's aboriginal policy is a scandalous blight on our national reputation, but in any other year, this new finding, on its own, would also have been a serious scandal.

To take yet another example, the Auditor General reported last week on how the Liberals signed an untendered contract, approved by a committee on which Paul Martin sat, to spend $100 million replacing the Prime Minister's luxury jets with even more luxurious jets. This, at a time when our overstretched and overworked Armed Forces must make due with ancient, rusted-out, dangerous equipment every day of the week. Again, in any other year, that finding, on its own, would have been a serious scandal.

And so, it is a measure of the moral bankruptcy of this government that these scandals have hardly even been noticed this past week, pushed off the front pages by a scandal of even more devastating proportions—a scandal that has rocked Ottawa and the country. That is, of course, the scandal of the Liberal government's sponsorships program.

By now, you know the basic story line.

They did this primarily by sponsoring public events, running a bunch of ads, and plastering Canadian flags everywhere, but primarily in Quebec. To start with, let's admit that this was a dubious effort.

The government used "highly questionable methods" to transfer sponsorship funding to Crown corporations and pay hefty commissions to ad agencies while hiding the source of the funding and the true nature of the transactions. The RCMP, as we already knew, is already investigating the Liberal party itself in connection with this scandal.

I think we can all see that the Liberals used national unity as an excuse to funnel your tax dollars to a bunch of their cronies, hacks and spin doctors. Why? We suspect it was to funnel funds to a cash-strapped Liberal party at the time of the last election campaign.

You will recall that when news of this scandal first surfaced, when the Auditor General first made her famous comment—it "broke every rule in the book"—Jean Chrétien dismissed my complaints about his management of the program. "Who cares," he said, "if a few million were stolen"; he was busy saving the country.

At the time, he refused our demand for a public inquiry, but finally agreed to a more limited review by the Auditor General.

The Auditor General was finally allowed to release this report last week, and since then, Paul Martin has looked pretty shaky.

Last Tuesday, he said that he was angry at the massive scale of this corruption scandal, and told us that the country needs to get to the bottom of things by calling a public inquiry after all—but one to be completed only after the next election.

But then, Canadians started to see through this communications strategy.

How on earth could Paul Martin, supposedly Canada's most competent Finance Minister, ever the pillar of the Chrétien government, not have known what was going on? Was he just asleep at the switch? On Wednesday, in response to an explosion of anger from coast to coast, he stood up in the House of Commons and blamed the entire scandal on a small cabal of civil servants, working clever little plots to hide their tracks.

But then, Canadians saw through this communications strategy as well. The people running this program weren't enriching themselves; they were enriching people connected to the Liberal party.

Surely, people demanded to know, the corruption involved people at the political level. And if it did, again, how could Paul Martin, as the most senior Liberal cabinet member in Québec, not have known what was going on?

On Thursday, Paul Martin decided to lay all the blame at Jean Chrétien's feet. He never sought Mr. Martin's advice, you know; he never let him play any role in government policy. But he wasn't quite saying that Mr. Chrétien was a crook. There just had to be some political direction.

Then on Friday came news that the Auditor General questioned several cabinet ministers, including Ralph Goodale, Mr. Martin's own finance minister, as well as a number of current and former senior civil servants. Mr. Martin himself had been warned about the extent of the scandal years ago.

Enter the next communications strategy. Mr. Martin will resign if he is implicated, except that—and here's the latest public outrage—he wants the public to guarantee him four more years in a snap election call before the facts are known. (Frankly, with the history of Liberal obstruction of public inquiries, the facts likely will never be known if the Liberals are re-elected.)

With each new day of outrage and anger and disbelief across the country, Mr. Martin's senior aides were calling reporters and browbeating them for asking too many questions about Martin's role in this scandal.

Why did the Prime Minister look so shaken last week? Because, as the Auditor General reminded us, the rot in

Ottawa goes deep. We have seen scandal after scandal after scandal from this Liberal government. So many scandals, that today, there is hardly a part of the federal government that is not compromised: the Prime Minister's Office, the Finance Department, Public Works, VIA Rail, Canada Post, the Business Development Bank, the Privacy Commissioner's Office, HRDC, and now even the RCMP itself.

Paul Martin was also shaken because he has not yet been completely truthful with the Canadian people. He keeps changing his strategies and his stories from day to day, and no one—not even Sheila Copps—thinks that he is levelling with us yet.

With all this corruption and sleaze going on, where was Paul Martin? Where was the Prime Minister in all this? Paul Martin is in denial. He blames some civil servants; he blames Alfonso Gagliano; he blames Jean Chrétien; he complains that he was never consulted. He was, after all, just the Finance Minister—only the most powerful guy in the Chrétien government.

He would have you believe that he was just an ordinary party member. (Mind you, a member taking control of every Liberal riding association from coast to coast to coast, his operatives monitoring Liberal operations in every corner of this vast country and reporting back to him on his coup against Jean Chrétien.)

Now Martin wants us to believe that he didn't know that his government had turned the Government of Canada into a massive machine for sucking up our tax dollars and depositing them in Liberal bank accounts? I don't believe it. And neither do you.

Paul Martin is up to his neck in this mess.

He says that he is shocked. Just as he was shocked a few weeks ago to find the British Columbia wing of his organization to be tied up with two shady operators now at the centre of a drug-running and money-laundering probe. Just as he was shocked to discover that the federal government had claimed Paul Martin's business empire only did $100,000-plus worth of federal business; it turns out it was more like $150-million-plus.

But let me remind you of the truth of the matter. Paul Martin was the Finance Minister throughout all of this. He was the one writing the cheques. But he did more. He sat on the government's Management Board, which is directed to oversee the design and delivery of departmental spending programs, including approval and assessment of the sponsorship program itself. Now he tells us that he wasn't keeping track of where the money was going. Do you believe that?

Paul Martin was the most powerful minister in cabinet throughout all of this, and the most powerful minister from Quebec. Now he tells us that Chrétien kept him out of the loop on Liberal business in Quebec. Tell me, do you believe that?

Paul Martin controlled every arm of the Liberal party from coast to coast. He had an iron grip on every riding in Quebec. His operatives fed intelligence back to him every day of every week during his decade-long leadership race. And now he says that he didn't know what was going on. Do you really believe that?

Paul Martin's line, to quote one MP, is that "he is blameless because he is clueless." The bottom line is that Paul Martin either knew something or he chose not to know. And, I should add that in the Criminal Code, wilful ignorance is not a valid excuse.

Liberal MP Joe Comuzzi said: "That is a Québec issue and I guess that's how they do politics there!" I disagree. This is a Liberal issue, and that's how they do politics.

Mr. Martin now has a choice, and not a good one. He can plunge the country into a snap election in the hope of putting off revelation of the truth about this scandal into the distant future. Or he can spend the next few months trying to manage the communications mess of the culture of corruption that is endemic in the Liberal government.

Paul Martin is just not up for that job. He can't get it done. He's in too deep.

Fortunately, on our side, we have not spent the last two years standing still. I have been preparing my colleagues to fight an election and to govern the country. Peter MacKay was doing the same with his colleagues. And now we have pooled our efforts.

Imagine if we could spend the next few months and years not trying to fix the rot in the current government, but, instead, taking the country in the direction of real change.

I do not believe that we have the government Canada deserves. But think of our opportunities! We have a country with all the incredible wealth of the land God gave us—and with the enterprise of the hard-working people who have come, in a very short period of time, from all corners of the earth.

If we had the government that we deserve, we would create a country that rewards independent citizens, not political cronies.

We would have a country that cuts taxes for its families, instead of building legacies for its leaders. We would have a country that aims to be the lowest-taxing economy in the advanced world, not the highest-spending one.

We would have a country where Ottawa ensures that other governments could fix things like health care and infrastructure, instead of hoarding money for scandals and boondoggles.

It would be a country with a strong national defence, with real power, with powerful allies, and with a say internationally—not one that neglects its friends and citizens, and turns a blind eye to evil in the world.

We would have a country that would stand for the rights and freedoms of ordinary citizens, families and taxpayers, not just those of criminals, special interests and political elites. We would have a country that reforms every aspect of its democracy until we had the best 21st-century system of government, instead of the best 19th-century system.

We would have a country built on solid conservative values, not expensive Liberal promises.

That is the country I want to lead.

The appreciation of the meeting was expressed by Ravi Seethapathy, P.Eng., Audit Associate, Hydro One Networks Inc. and President, The Canadian Club of Toronto.

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Dr. Frederic L.R. Jackman, OOnt, LLD, President, Invicta Investments Incorp. and Past President, The Empire Club of Canada, Allan Fotheringham, National Syndicated Columnist and Author and Stephen Harper, MP, Candidate for Leadership of the Conservative Party of Canada.

February 19, 2004

Timothy J. Hearn

President and CEO, Imperial Oil Limited

CANADA'S ROLE IN GLOBAL ENERGY PRODUCTION

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Gareth S. Seltzer, President and CEO, TWS Canada Group and Past President, The Empire Club of Canada; Ryan Hinds, Grade 12 Student, North Toronto Collegiate Institute; Rabbi Perry Cohen, Facilitator, Teacher and Author; Donna Cansfield, Parliamentary Assistant to Minister of Energy, Government of Ontario; Dr. Peter George, President and Vice-Chancellor, McMaster University; Antoinette Marwitz, Consul General, U.S. Consulate General, Toronto; Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada; Terence Corcoran, Editor-In-Chief, Financial Post; Dr. Marketa Evans, Executive Director, Munk Centre for International Studies, University of Toronto; and Walter Murray, Vice-Chairman, RBC Capital Markets.

Introduction by John Koopman

The Web site for Petrolia Ontario asks: "Is Petrolia Ontario responsible for the Iraqi war?" The question is not entirely vicious.

For most of the history of man oil was a sticky foul-smelling nuisance, and all it did was contaminate water wells. Supplies were limited to crude oil that oozed to the surface. Hucksters originally sold it as medicinal liniment and an 1855 advertisement for Kier's Rock Oil advised consumers to "hurry before this product is depleted from nature's laboratory."

In 1858 in Oil Springs Ontario, near Petrolia, James Williams was drilling for water when he inadvertently hit the first oil well in North America.

For the 50 years after the drilling of the Williams Well, Petrolia Ontario was the home of the most advanced oil development and refining technologies in the world. Petrolia drillers took their knowledge to every corner of the globe.

In an age when few people travelled beyond the borders of their own home towns, pioneer oil men from Petrolia discovered most of the world's significant oil fields. From 1879 to 1920 there was not a major oil field anywhere in the world without at least one Petrolia oilman involved.

The first crew of "hard oilers" left Petrolia in 1874 to drill in Java.

William McGarvey drilled a well near Krakow, Poland and then built a refinery there. His daughter married Count von Zeppelin. Unfortunately in the First World War the Russians set fire to his wells and blew up his refineries.

James Brown spent 14 years drilling in Persia. His fields were the life-line of the Royal Navy in the First World War, which earned him an attack by German soldiers and four months hiding in the mountains.

Charles Wallen was drilling near Grosny, Tchennya when the Russian Revolution broke out. He had a harrowing escape with the help of a couple of friendly Cossacks.

Joseph Thompson drilled for three years in Burma, opened a successful stable in Rangoon and never returned to Petrolia.

So many men left Petrolia that it was a single-parent town before that term was invented. Entire streets were without fathers. Some men never returned, casualties in foreign wars or of tropical illnesses. Others settled in foreign lands. The Petrolia Advertiser-Topic lost its last Borneo subscriber only in 1962.

Hard-oilers from Petrolia Ontario discovered and developed the Iraqi oilfields.

The Imperial Oil story started in 1880 when 16 small south-western Ontario oil companies pooled their resources to form Imperial Oil. Imperial Oil's corporate headquarters were in Petrolia from 1883 until it was acquired by John D. Rockefeller in 1898.

Imperial Oil has always been a great corporate citizen. In 1918 it was the second company in Canada to move to an eight-hour workday. It is consistently named one of the best-managed companies in Canada.

Mr. Hearn was born in Regina and educated at the University of Manitoba. He joined Imperial in 1967 and has held many positions in Imperial and Exxon including Vice-President, Human Resources for Exxon-Mobil. He has been President of Imperial Oil since January 2002. Between a 10-year overseas posting and a position as Chairman and CEO of a former Petrolia-based oil-company I think Mr. Hearn is also entitled to be called a hard-oiler.

Ladies and gentlemen, please join me in welcoming Mr. Tim Hearn to the podium of the Empire Club of Canada.

Timothy Hearn

Thank you, Mr. Koopman. Good afternoon ladies and gentlemen. It's an honour to be invited to address the Empire Club of Canada, and I thank all of you for attending.

The last time a representative of Imperial Oil addressed the Empire Club was in January, 1989, 15 years ago, when our CEO at the time, Arden Haynes, talked about Canada's energy future. On the assumption that once every 15 years is not visiting a topic too frequently, I plan to speak today on the same broad subject—the global energy scene and Canada's important role, which includes the progress we have made, where we stand today, and where we might expect or hope to go in the future.

The essential message I would like to leave with you today is two-fold. First, to support both the world's growing population and economic development around the globe, particularly in countries, which are just emerging economically, requires increased use of energy in all forms. Secondly, Canada has been blessed with abundant resources of all forms of energy—oil, natural gas, coal, hydroelectricity and uranium for nuclear power generation. Developing these natural resources has made an invaluable contribution to Canadian economic growth, social development and the standard of living that all Canadians enjoy. Without our energy resources and the various industries using it, Canada would be a very different country and society—a much poorer one, in every sense of the term.

Looking ahead, our country's still-abundant energy resources provide for even greater opportunities in the future than they have in the past. We have the opportunity to realize the full value of our resources by developing them at a time when the need, both within Canada and in world energy markets, will be even greater than in the past. In fact, we face a significant opportunity—one that holds the promise of improved prosperity and well-being for all Canadians.

Whether we take advantage of this opportunity will depend, as has been the case in the past, on our willingness as a nation to provide public policies, regulatory and fiscal frameworks that will encourage the levels of investment, technological innovation and sheer effort required in developing Canada's resources.

Before talking more about the future, it is often instructive to look to the past.

It's clear, looking back, that the twentieth century was one of the most remarkable periods in human history. In the developed world at least, prosperity and standards of living for people at all levels of society improved at a pace and to levels that would have staggered the imagination of anyone living at the beginning of the century.

It was a period of tremendous scientific and technological progress. In any field you could name—agriculture, food production, medicine, manufacturing, transportation, communications, education, construction, all of the sciences and technical disciplines—more advances were made during the twentieth century than in the entire history of civilization.

And in almost every field, this progress was made possible by energy. Without the availability of plentiful, readily accessible and affordable energy, the twentieth century could not have unfolded as it did. Fuels and lubricants for machinery to produce goods and vehicles, ships, trains and planes, to transport them. Heat for homes, factories, offices, schools and hospitals. Air conditioning that modifies high temperatures and improves productivity in hot climates. Fertilizers to grow crops. Light and electric power for virtually every human activity from studying books to operating a computer. All depend on the availability of energy.

And today, if anything we are even more dependent on energy than we have ever been in the past. That fact was borne out for many of us during last summer's extended power outage in parts of central Canada and the eastern U.S. In addition to all the day-to-day uses we have for energy, so many essential functions and services are automated and computerized today that a loss of electrical energy is nearly catastrophic.

And at the same time, petroleum—which we generally think of as a source of fuels—also provides the feedstock for literally tens of thousands of products and materials that are essential to our way of life. Asphalt for roads and roofing tiles, food storage containers, insulating materials and plastics for everything from automobiles to medical supplies such as blood bags, furniture and flooring, irrigation, drainage pipes and electrical wiring are all derived from petroleum.

I'd also note that polyester materials, which are derived from petroleum, have clothed the developing world for many years and are now also included in some of the finest fabrics; it's rare to find a fabric today that doesn't contain some polyester fibre.

Petroleum, therefore, touches almost every aspect of modern life. To quote Daniel Yergin's book "The Prize," "Petroleum remains the motive force of modern society and the lifeblood of the civilization it helped create."

During the twentieth century, energy use throughout the world increased more than tenfold. That the world's energy-producing industries have been able to supply that exploding demand for reliable and affordable energy is, in my view, a remarkable accomplishment. It reflects determination, discipline, a willingness to take risks and an ability to develop and adapt innovative technologies.

I also believe—contrary to opinion in some quarters—that the petroleum industry's record of both social and environmental responsibility has been strong and positive over the years. Obviously, not all environmental issues associated with our industry or products have been resolved, but the industry has responded to the legitimate concerns of the day and will continue to do so.

Studies have clearly shown that economic growth and rising prosperity leads directly to improved environmental performance across the board. The more prosperous a society, the more it can afford to focus on both economic growth through productivity and environmental responsibility. The fact remains, however, that to grow an economy, and/or sustain growing populations, added energy is required.

There is also overwhelming evidence that in the United States, in Europe and in Canada, air quality today is substantially better than it was 20 years ago. Through concerted joint efforts by the petroleum and automotive industries, airborne compounds of lead have effectively been eliminated, and levels of particulates and sulphur dioxides have been dramatically reduced. And further improvements will come from fuel reformulation, more fuel-efficient vehicles and refinements to pollution-control systems.

I believe we can have both economic growth, which involves increased energy consumption, and an improving environment. Those are not mutually exclusive goals and they can be tackled with the right public policies.

In looking to the future, it appears that some basic principles that applied in the past will continue to apply. That is, the direct link between energy consumption and population growth, economic growth and improving standards of living is firmly established. The relationship is not always constant, but it is clear that feeding, clothing, housing, caring and providing employment for more people requires more energy.

During the twentieth century the world's population increased from about 1.6 billion to about six billion. Over the next 20 years or so, population is projected to increase to around 7.5 billion. And of the six billion people today, some 85 per cent live in developing countries, where the average gross domestic product per capita is about 6 per cent of that of the developed world. Nearly two billion people have no access to electricity, and 2.5 billion are without proper sanitation. Roughly one person in five lacks access to safe drinking water.

Citizens of developing countries have legitimate aspirations for a better life. To realize those aspirations, they need energy today and as their numbers increase, the greater that need will be.

With the collapse of communism and the failure of centrally planned economies in recent years, market-based systems are spurring industrialization and growth in the developing world. As a result, the International Energy Agency projects that total world energy consumption, that is oil, natural gas, coal, hydro, nuclear, biomass and renewables, will increase by about 45 per cent by 2020, to the equivalent of about 290 million oil-equivalent barrels a day. This is up from 200 million oil-equivalent barrels a day in 2000. Almost 70 per cent of the growth will occur in the developing world—especially in Asia but also in South America, Africa and the Indian subcontinent.

The International Energy Agency also projects that most of the additional energy needed will come from oil and gas. Today, they account for about 60 per cent of all the energy consumed in the world, and that is not expected to change significantly.

This forecast indicated that oil and natural gas will remain the dominant sources of the world's energy needs for quite a long period of time—certainly through the first three or four decades of this century, and possibly much longer.

I realize that this may not be a message that some people want to hear. There are some who hope, and believe, that oil and gas will be supplanted, in the short to medium term, by alternative sources of energy. Some think that as a matter of social and political philosophy, we should proceed on that assumption or at least towards that ultimate goal. Rather than invest in developing oil and gas resources, we should only focus on developing and promoting alternative energy sources such as solar and wind power, and alternative fuels such as biofuels derived from plants and other renewable sources.

With the reality of the world's energy rising needs, the accelerated development of all economically viable forms of energy should be pursued, including alternatives, because all forms of energy will be required. We need to support the efficient use of energy, because it is too valuable a commodity to waste. At Imperial, both on our own and through our international affiliations, we participate in research for new and promising technologies such as fuel cells, hybrid vehicles and advanced fuel systems for conventional vehicles.

We are also participating in a groundbreaking research effort known as the Global Climate and Energy Project. Under this program, Stanford University will lead efforts by scientists and engineers from universities and companies like ExxonMobil, General Electric, Toyota and Schlumberger into a wide range of issues associated with energy needs and greenhouse gas emissions. The overall objective, and the hope, is to find new technologies and other solutions that can help us continue to produce reliable and affordable energy while reducing greenhouse-gas emissions in a cost-effective manner.

Both the research itself and the findings will explicitly consider the needs of developing countries, where the majority of future new emissions will occur, including the transfer of advanced technologies to minimize emissions growth from economic development.

When it comes to alternatives, the reality is that failing some dramatic scientific or technological breakthroughs in the very near future, the known alternative fuels and energy sources cannot be brought into play, in the short to medium term, on a scale necessary to make a significant difference—and certainly not at competitive costs. For example, even with a 20-fold increase in the use of wind and solar power over the next two decades, wind and solar would still account for less than 1 per cent of total world energy consumption projected for 2020.

It is worth noting that the forecast of a 45-per-cent increase in global energy use does take into account increased use of alternatives, as well as significant advances in technologies to improve energy efficiency, including a one-third improvement in new-car fuel economy. Again, however, the efficiency improvements are outpaced by rising demand from population growth and economic development, particularly in the developing world. Traditional energy—mainly oil and gas—will continue to be the dominant source of supply in the short and medium term, with new energy sources providing much needed and valuable support.

Other independent and informed forecasters and observers, including the U.S. Energy Information Administration and the International Energy Agency, generally subscribe to this view of the energy future. So the question then becomes: "How is the demand for additional energy to be met?" The short answer is that it is going to be a real challenge—perhaps the toughest challenge the worldwide energy industries have ever faced.

As demand for oil and gas grows, production from existing fields is declining, at an average rate of about 5 per cent a year. This combination of trends results in a gap in the supply-demand curve of nearly 100 million oil-equivalent barrels a day, an amount equal to about 80 per cent of today's production level. To put it another way, about half of the crude oil production that will be needed just 10 years from now will have to come from fields that are not yet on-stream today.

Closing this gap will require both huge investments—to the tune of about $200 billion U.S. per year worldwide, or trillions of dollars over the next several decades—and continued technological advances. As I said earlier, new methods and technologies for oil and gas exploration and production have advanced significantly over the years. For example, methods of recovering heavy oil from oil-sands deposits have become more efficient and less costly. And we have seen quantum improvements in seismology as well as in directional and horizontal drilling, under-sea pipeline construction to name just a few. To meet the future demand we will need further developments in all these areas.

I am confident, however, that the investments will be available to bring as-yet undiscovered or undeveloped new resources on-stream to meet the projected demand, at least through the middle of the century. And it is here that Canada faces the significant opportunity that I mentioned at the outset of my remarks.

In Canada, there's no question that developing our energy resources has been crucial to the country's economic growth and standard of living. The energy industry has created many thousands of jobs in service and related businesses, contributed billions of tax dollars, and strengthened every sector of the economy.

The energy sector is a mainstay of Canadian prosperity and international competitiveness. In 2002, the energy sector, essentially the petroleum and electricity-producing industries, accounted for 6.3 per cent of all Canadian economic activity, and at $37 billion, investment in the energy sector accounted for more than 23 per cent of all investment. Canada's almost $47-billion worth of energy-related exports accounted for more than half of its total merchandise trade surplus. (It also represented almost 15 per cent of all Canadian exports to the United States.)

Also, in Canada as in other parts of the world, the petroleum industry has been able to meet steadily rising demand for affordable energy by finding and developing new sources of supply. As the "easier and cheaper" resources have been depleting, we've looked to more remote areas for conventional oil and gas, and we've also developed the abundant but comparatively high-cost oil sands of Western Canada.

This has been accomplished by a willingness to invest in expensive, long-term and high-risk projects, and to develop new technologies for both conventional and heavy-oil recovery and production. Projects such as Syncrude, Imperial's Cold Lake bitumen-producing facility, Hibernia, the Sable Offshore Energy Project and others are outstanding examples of Canadian technical excellence, along with the ability to execute highly ambitious engineering feats under difficult and challenging conditions.

The four largest economies in the world—the United States, the European Union, China and Japan—are all net importers of energy. And while the North American economy in particular has become less energy-intensive over the last decade or so, energy demand is still projected to increase at a rate somewhere between economic and population growth. In fact, Canada's National Energy Board and the U.S. Department of Energy agree that energy consumption in both countries will rise by about

40 per cent between now and 2020—again with oil and gas remaining the primary sources of supply. The United States will continue to be more dependent on imports.

Many of the energy-exporting countries that currently supply the world's largest economies do not all have the same political, legal and regulatory stability, which adds a degree of geopolitical uncertainty to the long-term supply picture.

Canada, by contrast, is a net energy exporter today and is endowed with a huge undeveloped resource base. The oil sands of Western Canada, for example, represent one of the three-largest deposits of liquid hydrocarbons in the world, the others being in the Middle East and in the oil sands of Venezuela. In addition, we have untapped resources in our northern and offshore coastal regions.

This puts Canada in a unique position. Not only do we have abundant resources to meet our own energy needs today and well into the future, but we are the only G-7 country with the potential to grow exports, with some distinct advantages.

First, in addition to our resource base, we have extensive infrastructures of pipelines and other facilities in place to deliver what we produce to the largest energy market in the world—the United States. That, clearly, is an advantage that some of our potential competitors don't have, especially as they may be forced to develop resources from more remote regions.

Second, in addition to supply security, we offer a degree of political, legal and regulatory stability that is not offered by some other oil-producing countries and regions. In the unfolding world of today, this is not an insignificant consideration.

And third, in Canada we undoubtedly have both the human and the technical capability to undertake, manage and execute projects of the magnitude required to get the job done. Some of you may know that I have spent a good portion of my career working abroad, and I know that

Canadians are respected and valued for their talent, know-how and determination. All we lack, sometimes, is the confidence to believe in ourselves as others believe in us.

So, with this outlook and these natural advantages, Canada does face a significant opportunity—that of realizing the full value of its energy resources by developing them during a period of strong and rising demand both in the world in general and in North America in particular.

I also think it's important to emphasize that seizing this opportunity would benefit all Canadians, in all regions and at every social and economic level. As our energy and other natural-resource-based industries have been a major engine of economic growth and broad-based prosperity in the past, they can also provide the basis for future growth, increased prosperity and well-being.

What do we need to do, then, to realize our opportunities and reap the benefits I've referred to?

First, I think we need to begin with the recognition that the opportunity does exist and is important. Energy truly does matter; it is vital to our economy, to our society and to our way of life. All of us continually rely on affordable, uninterruptable energy in our everyday lives and in all our economic activities. We must use energy wisely and efficiently. We should encourage the development of all economically viable forms of energy. And in parallel with our supply-side efforts we must continue to seek out new technologies to minimize the environmental impact of our activities and products.

As far as the energy industry is concerned, I believe our primary responsibility to society is to do our job well—to provide people with much needed, affordable energy, and to do so in a safe, reliable and environmentally responsible manner.

As a society, however, we should not lose sight of the fact that the majority of energy comes from traditional sources, oil and natural gas in particular, and that will continue to be the case well into this century. To believe otherwise is not realistic.

Ensuring the continuing supply of oil and gas, therefore, is important.

Second, I believe we should acknowledge, as a matter of principle, that market-based policies in the energy sector have served Canada well for over a century, are working well today, and should provide the basis for future energy policy formulation.

While Canada is rich in energy resources, there's no question that they are higher-cost than traditional, conventional oil and gas available from other regions. Our particular challenge then is to develop them in a cost-effective, economically viable manner so that all Canadians can share in the economic benefits over the long term.

This means recognizing that very large and long-range investments will be needed, and attracting that investment will require a fiscal, regulatory and tax regime that is conducive to investment and reflects the need to remain competitive with other potential suppliers. Our regulatory regimes need to become much more efficient and productive while maintaining full effectiveness.

Canadian governments, as they have in the past, will play an important role in the future in setting the context for the industry to maintain secure and affordable energy supplies. The industry has, over the last century and more, responded with its best efforts and significant achievements, to the benefit of the country and its people. Working together we can meet the challenges, and seize the opportunities, with confidence and determination.

Thank you.

The appreciation of the meeting was expressed by Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.

February 24, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Belinda Stronach

Candidate for the Leadership of the Conservative Party of Canada

MY VISION FOR CANADA'S FUTURE

Co-Chairman: **John C. Koopman**
President, The Empire Club of Canada

Co-Chairman: **Ravi Seethapathy**
President, The Canadian Club of Toronto

Head Table Guests

The Hon. Elmer Mackay, Former Solicitor General of Canada; The Hon. Hilary M. Weston, Campaign Chair, Renaissance Royal Ontario Museum and former Lieutenant-Governor of Ontario; The Hon. Michael Harris, Senior Business Advisor, Goodmans LLP and former Premier of Ontario; Val Meredith, Member of Parliament, South Surrey-White Rock, Langley; Rod Phillips, President and CEO Warren Sheppell Consultants and Director, The Canadian Club of Toronto; The Hon. William Davis, Counsel, Torys LLP and former Premier of Ontario; and Jennifer Rideout, Senior Vice-President, Temple Scott Associates.

Introduction by Ravi Seethapathy

Good afternoon ladies and gentlemen.

My name is Ravi Seethapathy and I am the President of the Canadian Club. Along with my co-chair, John Koopman, I am delighted to welcome Belinda Stronach, candidate for the leadership of the Conservative Party of Canada.

The next federal election will see something that has not been seen in this country for nearly two decades and that is a united right. Up until now, the "right-of-centre" votes have been split between two parties, much to the delight of the Liberals across the land. With the formation of the Conservative Party of Canada on December 6, 2003, the "right-of-centre" politics in this country is no longer divided except in one crucial way. They have yet to choose a leader.

We are delighted today to introduce the third and final in a series of three events—the leadership contenders for the Conservative Party of Canada. Stephen Harper and Tony Clement spoke last week.

Belinda Stronach is the newest and a fresh face in Canadian politics, and even her opponents would admit that her candidacy has increased public interest in this race from coast to coast. The reason for this may lie in the fact she is no ordinary candidate. She is a political neophyte, and while some might consider this a weakness, others find it her strength. Belinda Stronach has never held public office, but she brings to the Conservative party an extraordinary record of success in her professional life.

She was appointed CEO of Magna International in 2001, and became its President in 2002. In 2001, the National Post named her the most powerful businesswoman in Canada. The next year, Fortune Magazine placed her second on its list of the world's most powerful women in international business. And the World Economic Forum named her one of the "Global Leaders of Tomorrow."

Politically, Belinda Stronach may have never held office, but she has been active behind the scenes. At the national level, she was one of the few to recognize that the right could not remain divided and win. She supported the United Alternative—the first, unsuccessful attempt to unite the right—in 1999. She was also very involved in the recent successful creation of the new Conservative Party of Canada.

And now that the right has finally united under one banner, Belinda Stronach is putting herself forward as the person best suited to carry that banner in the next election.

Winston Churchill once said:

"We make a living…by what we get,
but we make a life…by what we give."

Ladies and gentlemen, please welcome to our podium today, Belinda Stronach.

Belinda Stronach

Thank you Ravi.

Good afternoon, ladies and gentlemen, honoured guests and members of the business community.

It's great to be back in Toronto in front of so many friends to speak to the Empire and Canadian Clubs. I am well aware that no one has been elected prime minister of Canada who has not stood before you. So it is with great respect that I speak to you today.

It's been just over a month since I announced that I was seeking to become the first leader of the new Conservative party. And what a month it's been.

I've been called the "It Girl" of the political right. Magna Spice. Bionic Stronach. People have said I'm a dishy blond. And that I'm Paul Martin in a cocktail dress. One journalist even referred to me as a female version of Bush Junior! But I have to say, my own personal favourite moment was when the Toronto Sun launched a contest to find me a date!

And I thought people wanted to talk policy!

The past month has been a tremendous journey. I've crossed the country from coast to coast. I've met with Canadians from every province, from every region, and from every background. And if you've ever wondered what truly unites Canadians, I know the answer.

What unites Canadians is snow and Tim Hortons—and not necessarily in that order!

This afternoon I want to talk about my vision for our country, why I seek to become the leader of the Conservative Party of Canada, why I believe I have the qualifications to lead Canada in the 21st century and why my leadership will lead the Conservative party to victory against the Liberals in the upcoming election.

Canadians have had enough of politics as usual.

Ever since I entered the race, a number of people have pointed out that I lack political experience. But isn't it funny:

when politicians become ministers in charge of billion-dollar budgets, no one ever asks them if they have any experience running a business. And I think many of you here would agree: Ottawa could use a little more business sense when it comes to the management of our tax dollars.

The day the Auditor General released her findings on the public works scandal was a sad day for Canada. And Canadians right across our country are still angry.

This was not just about mismanagement or waste, although there's been plenty of that in Ottawa these past 10 years. It was about corruption and contempt for the Canadian taxpayer. It was about a lack of competence and a lack of leadership. I do know this: as a former CEO of a major public corporation, I was held to the high governance standards—and also had to make a profit. If I ran my company the way Paul Martin ran the finances of this country, I would have been fired.

You cannot run from your own track record. Paul Martin wants us to believe that he was a stowaway on the good ship Chrétien when in fact he was the first mate.

Canada deserves better. Canadians deserve better. That's why it's important that we propose solutions that will restore Canadians' confidence in their government and those they choose to lead them.

As prime minister, I would go beyond the appointment of an independent ethics commissioner who would report directly to Parliament.

I would ensure that the office was truly effective by giving the commissioner broader powers to investigate unethical conduct as well as the resources needed to achieve this mandate.

I would immediately strengthen the code of ethics—with penalties for unethical behaviour.

I would increase both the powers and the resources of the Auditor General and make sure she can report when she sees a need. The Liberals made Canadians wait to find out what they and the Auditor General already knew late last year. This is wrong. When abuses arise, the public has the right to know.

I would also establish permanent, independent legal counsel to assist and advise both the Auditor General and the independent ethics commissioner.

And finally, I believe we should introduce legislation that would remove members of Parliament from office who have been found to breach this code of ethics. In other words, there will be a price to pay for breaking the public trust.

There is hope. There is another way, a better way, a new alternative.

I submit to you that the Conservative party—renewed and revitalized—is ready to take up the challenge of governing our country.

I ask you to think back, if you would, to the period that existed in this country about a year ago. The Liberals were riding high in the polls. And the Tories and Alliance were stuck in neutral. There was no united and effective opposition. For those of us who wanted a strong and clear alternative, there was little hope that anything would change anytime soon. Canada had effectively become a one-party state, with all of the stagnation you find in a country where there is no effective democratic process, where there are no checks and balances.

Like many of you, I got tired of watching our country lose out on investment opportunities and jobs because we lacked an economic strategy; a strategy on how to compete in this new and fiercely competitive global economy. And I decided to do something about it.

In June of last year I asked Stephen Harper, leader of the Canadian Alliance, and Peter MacKay, leader of the Progressive Conservative party, to come together. I entered the process of uniting the two parties as a concerned citizen who wanted to see Canada strong and prosperous. And in order for that to happen, we needed a strong and united opposition.

In October, after several months of long and hard negotiations, in a spirit of good faith and compromise, we collectively concluded a merger agreement, and in so doing we achieved something that few Canadians thought possible: we restored the party of Sir John A. Macdonald. The party that has championed free enterprise, equal opportunity, and the entrepreneurial spirit that built this great country.

I'm proud of the fact that I helped bring the two parties together. And those of you who know me know that I never leave a job unfinished. That is why I am travelling across Canada and meeting with members of the Conservative party, and I am asking them this one thing: let me finish the job. Entrust to me the task of becoming the first leader of our new party, and I will lead the Conservative party to victory.

I have one overriding goal: to improve the living standards of Canadians, and to bring to this country a level of economic prosperity that we have never yet fully realized. Can Canada compete? Can we raise living standards in the face of increased global competition? I believe we can. I believe we have the people, the resources, the energy and the ingenuity to make our economy one of the strongest in the world.

In my former role as President and CEO of Magna, I regularly travelled the world. I saw first-hand and up close where investment is flowing and where manufacturing jobs are being created.

Manufacturing jobs are being sucked out of Canada at an alarming rate.

I was in Chicoutimi two weeks ago, where 1,000 jobs are at risk; and in Montmagny, where 500 jobs have disappeared; and in Hamilton, just last week, where the community is worried about Stelco with another 3,000 jobs at risk.

The questions that Canada needs to ask itself are these. In the new global economy, how are we going to compete? How are we going to not only maintain but also improve our living standards? Are we going to do it on the back of a low dollar? Are we going to do it on the back of low wages for Canadian workers?

I don't think so.

We are going to do it by creating world-class value-added products and services made and supplied by highly skilled Canadian workers. We are going to do it by attracting new investment and by boosting Canadian productivity and skills.

Consider the experience of Ireland. Fifteen years ago, the Republic of Ireland had a Gross Domestic Product per capita that was among the lowest in Europe. But today, Ireland has surpassed Canada in terms of GDP per capita.

What happened? How did Ireland leapfrog Canada?

The answer, ladies and gentlemen, is that Ireland looked at what was going on in the world and decided that it was going to aggressively attract new business and create an economic infrastructure. And it did this by creating one of the most competitive corporate tax environments in the world.

Today, corporate tax rates for small and medium-size businesses in the Republic of Ireland are 12.5 percent. The Celtic Tiger has grown at a rate four times higher than the European Community and has become the biggest offshore developer of software in the world, even ahead of India. While Canada maintained or increased already high corporate tax rates, the Republic of Ireland slashed its corporate tax rates to attract new investment and encourage the start-up of new businesses.

As prime minister, I would give Canada the most competitive tax structure in the world. To start with, I would scrap the tax on capital investment. To lower corporate and personal tax rates, I would streamline government and cut the fat out of government spending.

The fact is we are overgoverned. The United States, with a population 10 times the size of Canada, has 16 cabinet members, while Canada, with just over 31 million people, has 39 cabinet ministers—26 times more cabinet members per capita than our neighbour to the south!

As prime minister, I would create a Citizen's Evaluation Committee made up of regular Canadians—farmers, doctors, fishermen, teachers—maybe even a few toolmakers and lawyers. Its mandate: to identify areas where we can reduce government spending and overhead. We must throw open the government books and comb through the financial records of all government departments to identify areas of waste and duplication. I would also introduce a system of financial rewards for government employees who identify waste and inefficiency and bring forward suggestions for improvement.

To create more and better paying jobs, we need to stimulate greater manufacturing and production here in Canada. In plain English, we need to produce more value-added products that we can export around the world. We have the resources. We have the skills and the knowledge and the capital.

What we need is the right economic environment—one that will help us turn our warehouses into factories, biotech laboratories and high-tech R&D centres. I would therefore establish a tax system that would encourage companies to create more products in Canada. This would lead to greater investment in our country and would create more jobs.

I would also like to see a Canada where more employees own shares in the companies they work for, and where workers get a piece of the action through profit sharing. Employee-share ownership and profit sharing will create greater productivity because ownership gives employees a greater stake in the outcome of the businesses they work for. Bottom line: I understand the economy. I understand what it takes to create jobs, to spend money wisely, and to invest in the future.

Ever since I announced my intention to seek the leadership of the Conservative party, people have asked why I am running. Why would I leave the world of business for the world of politics, where a scrum with the Parliament Hill press gallery makes a contentious shareholder meeting look like tea and cookies with two grannies.

I've been very fortunate in life. And I want to give back to my country and my community—the community where I was born and raised and where I still live with my two children. As my parents always reminded me: "Canada has been good to you, Belinda. Make sure you are good to Canada."

I consider it a privilege to be able to offer up my skills and experience in the service of our country. And I would be extremely honoured to serve as an elected member of Parliament and as the leader of the new Conservative party. I believe I can help shape the vision and the values of the new Conservative party to reflect those of mainstream Canadians.

You don't form governments in Canada by having regional leadership, a narrow base and leaving other parts of the country disenfranchised. As Conservatives, let's not celebrate the fact that we are now only 10 points behind in the public opinion polls. We must ask WHY? Why are the Liberals still ahead of us?

The new Conservative party must broaden its base to offer an alternative to the Liberals. Our new party must invite Canadians from coast to coast to coast to be part of the renewal of Canada.

I will broaden the base. I am the only candidate for the leadership that still has a citizen's perspective. I want our party to focus on giving Canadians the tools they need to build better lives instead of telling Canadians how to live their lives. If there is anything else I believe that I can bring to this new party and to Ottawa, it is this: a passionate belief that we can go about the business of governing with greater civility and decency.

If Parliament wants to be respected as the boardroom of the nation, then it must begin to act in a manner that befits the seriousness of conducting the country's business. Canadians deserve better than to watch their elected officials trading personal insults and indignities on the floor of the House of Commons. Parliament should be a forum for the exchange of ideas—not insults. And I will do my best to create a climate of civility and a process that encourages innovative ideas and welcomes good policy, regardless of party affiliation.

During my time in business, I was always most proud of my ability to bring people together. To not only be a team player—but to be a team builder. To reach out and draw in the best and the brightest.

For the past month, I have been working day and night to build a team of people that will help lead our party to victory in the next election.

I am bringing together people from all across Canada under the Conservative banner—women, new Canadians, young Canadians, and those who have lost faith in the politics of old.

I can unite our party. I can bring the change and fresh approach Canadians deserve. Like many Canadians—like many of you—I want to open the windows of the House of Commons and let in some fresh air and some fresh ideas.

I am the daughter of immigrants—a testament to the Canadian dream.

My dream is deeply rooted in that Canadian dream, that one day we will live out the true meaning of our founders, that sons and daughters of immigrants and native Canadians, Canadians in Red Deer and Red River and Trois Rivieres will build a nation that is the envy of the world. A country where innovation and productivity is the guarantor of our children's future. A community which rewards its champions and guards its weak.

I dream that our children will one day live in a nation where they will be judged by the content of their character, by the quality of their ambition and by their achievements. A Canada led by women and men whose vision is a nation where opportunity for all is a goal, where government is the defender of our values. A Canada where tolerance for all is the standard. A Canada where an "outsider" with a love of this country and the commitment and determination of an ordinary Canadian can aspire to lead and deliver that vision.

I believe Canada can deliver a great future for all her people. That we can again be a shining example for the world as a place of honesty and opportunity. A place of peace, order and good government.

And this is my pledge to you. I will lead a government as good as its people. My commitment will be as strong as this land. And together, we will truly live this Canadian dream.

Thank you very much.

The appreciation of the meeting was expressed by John Koopman, Vice-President, Spencer Stuart Canada and President, The Empire Club of Canada.

Ravi Seethapathy, President, The Canadian Club of Toronto, Audit Associate, Hydro One, Chairman, Engineers Without Borders and Director, TVOntario and Scarborough Hospital, Belinda Stronach, Candidate for the Leadership of the Conservative Party of Canada and John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.

February 26, 2004

Wendy A. Tadros

Board Member, Transportation Safety Board of Canada

OUR COLLECTIVE ROLE IN TRANSPORTATION SAFETY

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Harry T. Seymour, PEng, FFAF, President, Waterston Financial Inc. and Past President, The Empire Club of Canada; Marissa Caldwell, Grade 12 Honour Student, De La Salle College; Rev. Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada; Bernie Leaman, Past President, Commercial Aluminum Products; Jeffrey Steiner, President and CEO, Toronto Economic Development Corporation (TEDCO); J. Clifford Mackay, President and CEO, Air Transport Association of Canada; Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada; Fred Banwell, Financial Advisor, Berkshire Investments; Nancy Austin, Assistant Deputy Attorney General, Legal Services Inc., Ministry of the Attorney General, Province of Ontario; and Dr. James Young, Chief Coroner, Province of Ontario.

Introduction by John Koopman

Reverend Sir, members and guests of the Empire Club of Canada:

The marketing materials for this lunch essentially say that Ms. Tadros will speak about her expectations that every Canadian citizen shall do his duty in advancing our safety culture.

The world has not heard talk of words like duty since Lord Nelson's flag signal to the fleet at the commencement of the Battle of Trafalgar: "England expects that every man shall do his duty."

Without lime juice Lord Nelson's statement would have been quite hollow.

A generation earlier, scurvy had so enfeebled the Royal Navy that during the American Revolution it was unable to blockade the Americas and France thus had the run of the Atlantic and reinforced and re-supplied General Washington and the revolutionaries almost at will. Had the British Navy not been so scurvy ridden, it could have successfully blockaded the Americas, General Cornwallis would never have surrendered at Yorktown and the United States would probably still honour our Queen.

Lime juice ultimately licked scurvy and saved the remainder of the Empire. Lime juice allowed the Royal Navy to regain its strength and gave Lord Nelson a healthy fleet at the Battle of Trafalgar. Unfortunately it also left the Brits with the pejorative moniker "limeys."

Back to transportation safety, Ms. Tadros has a challenge because we human beings can be terribly irrational when it comes to safety.

On August 17, 1896, Mrs. Bridget Driscoll, a 44-year-old housewife made history when she stepped off a curb in Croydon, England. She was the first pedestrian in the world killed by an automobile. The coroner said he hoped such an event would never occur again. Since Mrs. Driscoll's tragic passage, about 30 million people have been killed in road crashes, and the fatality count grows by about 800,000 people annually. Yet not many of us are afraid of getting into a car.

U.S. casualties in Iraq will be less than one per cent of this year's U.S. fatalities. The deaths in Iraq have at least served a useful purpose. They brought down an odious regime. It is hard to understand what larger purpose is served by a Saturday evening traffic fatality. Yet the Bush administration may fall on Iraq, and 100 times that death toll repeated annually perpetually does not get past the local news.

Throughout the '90s, air traffic deaths on tier-one carriers averaged one death per 100 billion passenger miles. Walking according to a British study is about 175 times more dangerous. Again pedestrian fatalities rarely get past the local news.

In contrast, the Transportation Safety Board of Canada, which was created to focus on air, sea and rail safety, does such a good job that fatal marine, air or rail accidents are so rare that they invariably make national news.

Wendy A. Tadros was born in Winnipeg, Manitoba, the daughter of an Air Force navigator. She has a BA from Trent University and a law degree from the University of Western Ontario. She worked for 13 years for the National Transportation Agency of Canada where she held a variety of management and legal positions.

From 1993 to 1996 she was Director of Legal Services for the National Transportation Agency. She has been a Director of the Transportation Safety Board of Canada since 1996.

Ladies and gentlemen, please join me in welcoming Ms. Wendy Tadros to the podium of the Empire Club of Canada.

Wendy Tadros

Thank you Mr. President for that kind introduction.

It's only fitting that I speak to you about our transportation system in a hotel that owes its existence to a railway company. The Royal York Hotel was the ninth property developed by Canadian Pacific Railway—a company whose fortunes were closely tied to our nation's.

CP's first president, Sir William Van Horne, understood this symbiotic relationship. That's one reason he described his growth strategy in the following way: "If we can't export the scenery," he'd say, "we'll import the tourists."

Sadly, Sir William did not live to see the hotel's grand opening in 1929, but it was, nevertheless, a fitting tribute to his career. That's because the Royal York earned the immediate distinction as the tallest building in the British Empire. To be sure, its 28 stories made a mark on the city's skyline—some would say an exclamation mark—that declared emphatically Toronto's presence in Canada and around the world.

Since then, this grand hotel has attracted more than 40 million guests—and pumped millions of dollars into the local economy.

The hotel's origins touch upon a key theme in Canadian history: our transportation industry has played a vital role in our national prosperity. But I'd argue its future contributions will be more critical. Globalization demands it.

As the Throne Speech noted: "Canada is a trading nation and a 21st-century economy is an economy open to the world. Canadian goods, services, capital, people, and knowledge must be able to reach international markets."

The public and private sectors are focused on a transportation system that ensures national prosperity in the new millennium.

Key initiatives include integrated transportation services with North America and the world; seamless intermodal links; innovative transportation technology; competitive rates and services, and so on.

But all these activities would fall—like a deck of cards—if the industry could not fulfill its public duty of maintaining a safe and sound transportation system. It's the prerequisite to participate in the global economy. Everyone knows safety cannot be compromised. And it's a given that government "must maintain its role as a vigilant watchdog."

But the private sector's role is often overlooked and undervalued in advancing safety. And, ironically, it's the private sector that sometimes does not appreciate the contributions it can—and must—make in a world on the move.

This can be attributed, in part, to a misunderstanding of roles.

Our research shows that many industry players have high regards for the Transportation Safety Board of Canada (TSB). But some are concerned that we're not proactive enough in the prevention of accidents or the promotion of safety issues.

Let me be frank: government organizations, such as the TSB, cannot advance public safety alone. Nor, as I shall point out later, is this our intention.

We all have a role to play—and that includes Canada's private sector, which we call upon to address risk in an appropriate and realistic manner.

This approach works. Consider some stats: there were 541 marine accidents reported to the TSB in 2003; that's comparable to the 1998–2002 average of 537. But more importantly, fatalities reached a 29-year low of 18—down from 34 during the same five-year period. Furthermore, Canadian aircraft—other than ultralights—were involved in 297 accidents in 2003. This represents an 8-per-cent decline from the 1998–2002 average. There were also slightly fewer fatalities last year against the five year average—58 fatalities compared to 65.

These are good numbers. But our work is not done, as two recent tragedies attest.

On January 14, a freight train derailed two intermodal container cars, as it approached a highway underpass near Whitby. One of the containers crushed a vehicle on the street below. Two people died.

Only a few days later, a small plane crashed in Lake Erie, killing 10 people.

The public has a right to know what happened with both accidents. And they will. But some want answers even before all the evidence is gathered or analyzed.

I call this the "CNN effect" because the demand for new information can sometimes outpace the supply. When this happens speculation runs rampant.

As our Executive Director, David Kinsman, wrote in an opinion piece for the London Free Press: "We understand the natural inclination to rush to judgment. But…the TSB will not cut corners, or rush complex processes. This would not enhance safety, nor advance the interests of Canada's travelling public."

Still, the intense pressure is a sign of the times.

The public expects more. As one observer explains: "Life is safer than it has ever been, but we are no longer prepared to accept any risk in anything we do."

And if the public thinks the industry players—regulators, manufacturers, carriers, associations—are not responding to their safety concerns, I can assure you, they'll find other ways to influence practices and policies.

So what must our collective course be to ensure our ongoing prosperity as well as maintain public confidence in the transportation system?

I believe we must be guided by an open and honest dialogue and a desire to advocate change.

Dialogue and advocacy: these are the two principles I'll discuss today. Let me, by way of introduction to the TSB, explain what these two principles mean to us.

The TSB is an independent body that investigates accidents with the purpose of advancing safety and to report publicly on our investigations.

Our focus is straightforward. We examine what happened; why it happened; and how we can help ensure it never happens again.

The TSB takes a systemic approach to all our investigations. That means if we're looking at the failure of a single part, we look beyond what physically happened—to all other factors at play. This approach—recognized by safety experts around the world as the most meaningful—leads to a detailed understanding of the occurrence and thorough safety communications.

We don't assign blame. We focus on the safety deficiencies and bring them to light for regulators and industry to act upon.

I want to emphasize this last point. As soon as a deficiency is identified, we immediately inform industry players involved in the investigation. It's important to know that we don't wait for a final report to take action.

That's exactly what we did last year with regards to our investigation into the collapse of a wooden bridge in McBride, B.C.

As recent media reports state: "The TSB informed the regulator and CN that it had not addressed all of the bridge's safety deficiencies. Our investigation continues."

More times than not our major investigations do produce recommendations. These too can be deemed a success if the industry takes swift action.

To be sure, the transportation industry is committed to the best system in the world. Everyone knows that accidents bear too many costs and strain too many resources.

But on occasion the industry and regulators have been slow to react to recommendations. And, in some cases, they have failed to implement them thoroughly.

This leads me to the first principle in advancing transportation safety. We need the commitment of the industry's leading figures to support an ongoing dialogue with us and to advocate change.

The 1997 accident at Field Hill, in the Canadian Rockies, stands out as a model of co-operation and success. Let me provide you with a brief overview.

A westward train derailed 66 cars during an uncontrolled high-speed descent of "Field Hill." We now know the crew was unable to control the speed after the train was set in motion on the steep descending grade with a depleted air brake system and a dynamic brake that was not engaged.

A variety of factors such as a series of inappropriate train-handling decisions and certain railway operating procedures contributed to the accident. Over the course of the investigation, senior management of the railway took an active interest in the factors at play; and implemented important policy and procedural changes to mitigate the risk of it happening again. Working with the

TSB, these executives initiated safety enhancements to improve their operations, training and locomotive design. As a result, our final report had no recommendations, nor expressed any safety concerns.

We need this case to be the norm—not the exception. That's because detailed investigations, by their very nature, demand ongoing dialogue between investigators and industry. Simply put: it's the best way lead investigators can access the expertise and information they require to do their job.

To this end, we must commit to a greater focus on sharing information on studies and recommendations, accident data, as well as best practices in investigation techniques and methodologies.

The TSB encourages a company's involvement in the development of our reports. And we believe ongoing dialogue is an important part of the process. That means if a company is involved directly or indirectly in an accident, we welcome its input; it's OUR way of testing the theories in the draft and ensuring we have the facts straight before making them public.

Let me remind you that our role will always be to inform the public about what happened and why it happened in an impartial and unbiased way.

Still, we believe our ongoing dialogue will not interfere with our independence. The key is to ensure that co-operative activities with industry groups have more to do with sharing information than sharing responsibilities.

Dialogue is the first of two principles to fulfill our collective responsibility in advancing transportation safety. The second is advocacy. Its aim is to ensure our efforts take effect.

The successful completion of the Swissair Flight 111 investigation is a case in point. Its crash into the waters off Peggy's Cove resulted in the loss of 229 lives. Determining the facts about this terrible tragedy was a lengthy and complex process and took more than four years to complete.

One year ago, we reported that a fire started in a hidden area above the cockpit ceiling. The fire started from an electrical wire-arcing event, that ignited flammable material on thermal acoustic insulation blankets. The fire then spread across the surface of the insulation blankets, where other flammable materials ignited. As a result, the fire intensified, leading to the deterioration of the cockpit environment, the loss of some of the aircraft's systems, and the eventual loss of the aircraft.

Swissair was a terrible tragedy. But positive outcomes have been realized. Boeing, Swissair, Transport Canada, the FAA, the NTSB and the Airline Pilots Association all committed to change.

Twenty-three recommendations came from this investigation with the first of 14 interim recommendations issued six months after the accident. This can be considered a success by anyone's definition.

To be sure, airline safety has been enhanced. Important upgrades, for example, have been made to flammability standards for aircraft materials. But more work needs to be done. It will take many years for the airline industry to eliminate all flammable materials on aircraft.

We're okay with that; it's realistic to factor in economic realities, and to allow time for technological advances.

But there are other more immediate steps one can take to mitigate the risks of fire onboard. We would like to see the industry adopt an integrated, comprehensive firefighting strategy for crews. Operators believe the industry is capable of developing such a plan, but have been hesitant to initiate change on their own. As a result, little progress has been made in this area, despite the important findings uncovered during our investigation.

It now falls to regulatory bodies such as Transport Canada and the Federal Aviation Administration in the U.S. to institute mandatory policies on firefighting in order for meaningful change to come about.

I want to be clear: the Swissair stakeholders have done a great deal to advance safety through our investigation.

But advocacy is easier said than done. Two reasons come to mind.

First, it requires organizations to champion safety issues in a more proactive way. We're not dreaming the impossible dream. I've met with industry leaders who are very active in addressing safety issues. One railway company—Burlington Northern Sante Fe—is a case in point. This company working with the National Transportation Safety Board in the U.S. tracked all outstanding safety recommendations and set about implementing them. Today, they are able to report that they've taken action on all of those concerns.

The second reason why some organizations have not embraced their advocacy role is because they still view safety as a cost—not an investment.

Ultimately, it's up to our industry's leaders to figure this one out. I can only encourage them to think hard about the cost/benefits of preventative measures stemming from our investigations.

We know the benefits of working together on an investigation. Imagine the impact we could have, working alongside the industry in every investigation, to bring about change.

Earlier on I spoke about the investment made by one railway company in this hotel. Coincidentally, the same year of its launch, an executive from another railway company addressed the Empire Club.

Sir Henry Thornton paid tribute to all those who had made Canadian National a powerful industry player.

Thornton said: "If the railway has achieved any material degree of success it has been due to that co-operative spirit, that freedom with which advice is offered, and that unity of effort...."

Co-operative spirit. Unity of effort. These phrases can also be applied to the enviable track record Canada has earned in transportation safety.

As our experiences with Field Hill and Swissair attest, our success is based on our combined efforts to establish meaningful dialogue and advocate change.

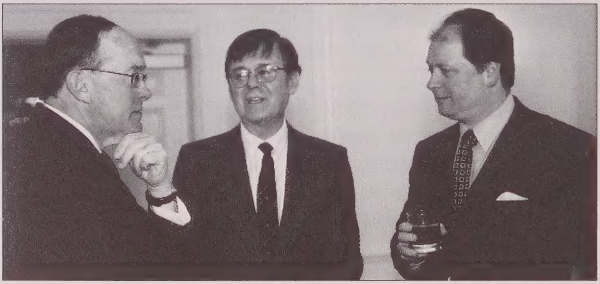
We need to build upon these efforts. The global economy demands it and Canadians deserve nothing less.

Transportation transcends international boundaries and lessons learned in one jurisdiction must be lessons learned by all jurisdictions.

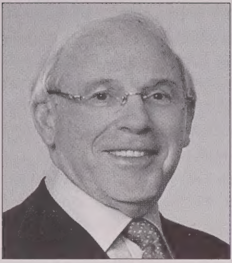
That's why the TSB works closely with 10 other national investigative bodies—including the National Transportation Safety Board—to "improve transport safety in each member country by learning from the experiences of others." It's clear: our industry's expertise is needed to promote a safe and sound transportation system in Canada, and around the world. By doing so, we'll honour our industry's legacy—by contributing to our country's future prosperity.

Thank you.

The appreciation of the meeting was expressed by Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada.



Harry T. Seymour, PEng, FFAF, Executive Vice-President, GBC Asset Management Inc. and Past President, The Empire Club of Canada, Edward P. Badovinac, KH, CET, Immediate Past Chairman, The Good Neighbours' Club, Director, The Empire Club of Canada and Chairman of The Empire Club of Canada Yearbook and Jeffrey Steiner, President and CEO, Toronto Economic Development Corporation.



March 4, 2004

Ian Greenberg

President and CEO, Astral Media Inc.

CREATING VALUE IN A COMPETITIVE MEDIA INDUSTRY

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Principal, Carmichael Birrell & Co. and Director, The Empire Club of Canada; Susie Jacobsen, Grade 12 Student, North Toronto Collegiate Institute; Rev. Canon Prue Chambers, St. Nicholas Anglican Church; Ron Waters, Vice-Chairman, Board, CHUM Television; John Cassaday, President and CEO, Corus Entertainment Inc.; Sydney Greenberg, Vice-President, Astral Media Inc.; Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; Michael MacMillan, Chairman and CEO, Alliance Atlantis Communications; Andre Bureau, Chairman of the Board, Astral Media Inc.; Walter Murray, Vice-Chairman, RBC Capital Markets; and Phil Lind, Vice-Chairman, Board, Rogers Communications.

Introduction by John Koopman

It is easy to be smug about television. Critics blame television for everything from child obesity to the murder rate.

In the early days of TV with only three or four broadcasters, television was forced to assume all people were essentially alike and accordingly had to deny the most obvious fact about consumers and citizens—their prodigious, efflorescent diversity.

The 500-channel universe we are moving toward, not all of which Astral Media owns—yet—reflects not the psychology of crowds but the creativity and inspiration of millions of individuals reaching for something higher. We are all sharply differentiated in our cultural pursuits. We are alike only in what is base and prurient.

At the dawn of the television age it was believed that TV would exacerbate social tension and lead to ever-increasing class distinctions as the rich, through television, gained access to culture and training that the poor could never afford.

We should never forget that some good things have happened because of television. One example: the signal role of television in the great civil rights struggle of the mid-sixties.

U.S. citizens had been reading about the civil rights struggle for decades, but it was visceral potent television images like the 1963 attack by the Birmingham, Alabama, police and police dogs on young civil rights protestors; the fire department using hoses to push peaceful black protestors down flooding avenues, like rubbish in a street cleaning; boycotted and deserted buses in Montgomery; the shame of Governor George Wallace blocking the door to Foster Auditorium at the University of Alabama to stop two black students from enrolling, that brought these pictures into the living rooms of the nation and showed the greater American public the daily realities of Jim Crow.

As the networks news divisions broadcast the bombings and burnings of black churches, the network's entertainment divisions contributed by casting black characters in other than stereotypic roles. Shows like "The Defenders," "Naked City," "The Nurses" and "Peyton Place," all of whom portrayed inter-racial co-operation and black characters, were for the first time depicted as intelligent and heroic.

It was not the House of Representatives but television that ultimately buried Jim Crow. Mr. Greenberg's industry has the potential to achieve much good.

Mr. Greenberg is one of four brothers who some 40 years ago established a retail photo business. That business grew into a national chain of 125 Astral Photo stores.

Named President and Chief Executive Officer of Astral Media in 1996, Mr. Greenberg initiated the transformation of the company as it divested its photographic, and other businesses to concentrate on its media businesses.

Today, Astral Media is the country's largest operator of specialty, pay, and pay-per-view television services and is currently involved in 19 network licenses. Astral Media is the largest private-sector supporter of Canadian feature films. Astral also owns 24 radio stations.

Ladies and gentlemen, please join me in welcoming Mr. Ian Greenberg to the podium of the Empire Club of Canada.

Ian Greenberg

Good afternoon ladies and gentlemen. I would like to thank the Empire Club for the privilege of speaking to you today. I also want to say how honoured I feel to see so many leaders of Canada's media industry here this afternoon.

A few weeks ago, the Empire Club staff asked me for a one-sentence description of the topic of my speech today. Now, people in my organization know that I'm someone who likes things boiled down to their simplest form. But getting to the essence of things can be a hard, time-consuming job. It was Winston Churchill who apologized to the British parliament after speaking for an hour and a half, saying that his speech would have been half as long had he taken twice the time to prepare it. Meaningful brevity takes time, a luxury I did not have. So I simply told the organizers that I would be talking about "creating value in a competitive media industry."

What couldn't be captured in that one sentence were the multiple facets of the word, value. Because what I am really going to talk to you about is corporate value in a number of its incarnations.

First, financial value, of course. But then, in the context of our industry, the values of Canadian society, and last, the intangible values that must be part of successful companies today, be they in the media sector or not.

What I want to do is discuss the complexity of what I call the "value promise" that media companies make to their consumers, to their advertising clients, and to their shareholders. To put you at ease during my presentation, you can probably safely assume there will be no major value created in the media industry until after lunch because just about everyone in the industry is here today. In fact, that's why I arranged for Ron and Phil and Michael and John to be at the head table—so that I could keep an eye on them while I was busy doing this today.

Like any public company, Astral Media's financial performance drives the value of its stock. Once upon a time, it was the only kind of shareholder value that we discussed in boardrooms across the media sector or in any other sector for that matter. And frankly, two years ago, I probably wouldn't have discussed any other value with you.

Of course, financial performance remains the dominant measure of a public company. The bottom line—whether you call it net earnings, earnings per share, EBITDA or cash flow—is value number one! And Astral, as you may know, has an enviable financial record. The company has a market capitalization of $1.6 billion. Our revenues will surpass the $500-million mark this year. Moreover, Astral is expected to deliver strong earnings growth for an eighth consecutive year. The company's market capitalization was but $200 million when this streak began, so by any standard, Astral has created and continues to create real value for its shareholders.

But financial value is highly dependent on the other values I mentioned earlier and really, the end result of successfully creating them. Essentially, if we don't strongly reflect Canadian values to our audiences, we are not going to optimize our financial performance. And, if we don't establish the reputation of a company that operates with a high degree of expertise and ethics, both internally and externally, we expose that financial performance to a very high risk. I therefore want to talk to you about these two other facets of value that are critical to underpinning our company's financial performance and, I think, that of the media industry in general.

The fact that we operate in the cultural sector makes us different from many other industries. To some extent, our products must express and reflect the values of Canadians as distinct from those of people from other countries. This is the second kind of value that media companies deliver. The media products we create and offer consumers, be they in television, radio or print, play an important role in generating our sense of national identity.

Astral Media is one of the country's largest operators of English and French-language specialty, pay and pay-per-view television. On our own, or with partners, we operate 16 television networks and are a substantial player in radio and outdoor advertising, as well.

Each of them is a powerful medium in its own right. And, in terms of our role as a media company, we see that we have a responsibility to present, reflect, and, in fact, help shape society's changing values to a certain extent.

Astral plays a leadership role in supporting the creative and unique talents of the Canadian film, television and radio industries, whether through our programming services or such vehicles as the Astral Media Harold Greenberg Fund. Last year alone, we spent over $74 million on the development and purchase of Canadian content, original programming and the support of emerging talent.

In order for Astral Media to ultimately deliver financial value, we first need to understand and reflect Canadian societal and cultural beliefs. And this is an area we monitor and study carefully, in order to align our television, radio and outdoor products to the real and shifting values and beliefs of Canadians.

Values are, at their root, the set of beliefs and ideas that make up our individual personalities. And socio-cultural trends are not easy things to measure and quantify.

There are many questions we need answered in order to be able to target our programming and in order to add value for those who consume our products. Most fundamentally, we need to know what is important to our audience: is it social success and materialism, personal development or autonomy? What are people concerned about: balancing family and work responsibilities, financial issues, or are they focused on the need for status and recognition? How are Canadians feeling about the economy? How are we coping with the "certainty of uncertainty"? And what about technology—how are we adapting? Canadians are increasingly using tools that simplify tasks or save time—like making airline reservations or banking on-line. On the other hand, Canadians' expectations of technology tools have increased. We want them to be high-performance but they also need to be simple and hassle-free.

To give you a personal example: I now have four remotes in my family room and I still haven't fully figured out what does what. I don't want to operate the space shuttle; I just want to be able to tune into the Canadian television premiere of season five of "The Sopranos" on "The Movie Network" this Sunday, March 7 at 9 p.m. Eastern.

Let me highlight some of the key trends in the personal values of Canadians, taken from a study that the research firm CROP has been doing annually since the early eighties. This socio-cultural study is one of the tools that our organization uses to give us greater insight into the public's expectations about television and radio content.

Based on this year's study, Canadians are demonstrating an increased level of comfort with uncertainty and we are showing greater flexibility and adaptability than we have in the past. This follows a period from 1996 to 2001, when, according to CROP, our society was dominated by a sense of fatalism among people, where Canadians seemed to lack specific goals in life and felt excluded from society.

One of the emerging values that we started to notice as early as 2002 was the whole do-it-yourself phenomenon, like home renovation, landscaping, interior design, etc. Now, I have to tell you that recently I've been having major renovations done to my home, so I alone am probably responsible for the massive increase in the viewership numbers for renovation and interior decorating shows this past year. But apparently, according to statistics, many of you have been joining me, as the ratings for this type of program are growing significantly.

"Decorate Your Life" (or "Decore ta Vie"), a show on our French-language specialty channel Canal Vie, has been the top show since its introduction a year ago. In the English market, programs like Debbie Travis's "Facelift" on HGTV or "Decorating Challenges" on W are also amongst the top-10 shows on those channels.

On a more general note, the CROP study concludes that Canadian society as a whole is showing five principal trends.

First, Canadians are showing a trend to personal development, learning, and self-expression. We are demonstrating a growing desire to develop our creative talents at work and at play.

Second, there is a trend towards what CROP calls "pragmatic empowerment" (i.e. the do-it-yourself trend I just mentioned).

The combination of these two trends with a growing attraction to the simple pleasures of life such as gardening or fixing things creates a perfect social context for new products and programming.

Third, there is a growing importance of the family. The primacy of the family is clearly a value with Canadians, who see family taking precedence over other personal priorities.

Fourth, we are, as a society, showing more ecological and social sensitivity. Environmental protection is a growing concern. As is so-called "ethical consumerism," which signals people's willingness to base their consumer decisions on the perceived ethics of the company making the products.

As if to reinforce this point, I note that last Friday's issue of Report on Business magazine features the publication's first-ever corporate social responsibility ranking.

And finally, the fifth significant trend is that there seems to be a greater need for escapism, nostalgia and feeding the imagination, whether through activity or entertainment programming.

It will probably come to you as no surprise that values among our American neighbours have evolved differently from ours. In an upcoming book, Michael Adams of Environics talks about the diverging values of Americans and Canadians. The two principal values in Canadian society today, he says, are self-assertion and respect for the individual, which is curious in a society generally more socialistic than the U.S. On the other hand, south of the border, post 9-11, the two most important values presently are security and authority.

Things that are important to our friends to the south, such as religion, gun ownership, a desire to achieve material success and status recognition and obedience to authority are viewed very differently in Canada, where we are presently questioning traditional authority, where we view guns as a potential prelude to violence, and live fairly comfortably with the multicultural nature of our major cities as opposed to living in gated communities.

The fact that we view our world differently than our American cousins ultimately has an impact on the kind of entertainment and information that we look for in the media we consume.

Reflecting the values of our society in our media properties is an important responsibility. Michael Adams, in his study, states that "Canadians want their media to be a window on the world and a mirror of their values and culture. In fact, today, part of Canadians' identification with

Canada and its 'culture' stems from Canadian media companies presenting perspectives that are varied and that reflect our own reality."

And while you can argue that we are like Americans in many ways, and that we are great consumers of American programming, I can tell you that Canadians are an extremely discriminating audience. Yes, of course we like the best of American programming—so does the rest of the world. We like original, creative, well-produced entertainment shows. But we do NOT have an appetite for an all-American content diet. The Canadian media industry is more and more aware that delivering content that is aligned with the particular values of Canadians is good business. The extent to which we do it and do it well is reflected in our bottom line.

Now, at the outset I mentioned a third facet of value which is not about "society's values," but about "intangible corporate values." Let me explain what I mean by this.

In a recent article in the Harvard Business Review, Robert Kaplan and David Norton define a company's more important intangible assets as:

- Human capital—the skills, talents and knowledge of employees;
- Information capital—a company's databases and IT systems; and
- Organization capital—a company's culture and how its people are aligned with strategic goals.

Essentially, I am talking about the way we do business—the way a company conducts day-to-day operations with its stakeholders.

These intangibles are all of those hard-to-measure elements that play into creating the reputation of a company or the personality of the company. In his new book entitled "Re-imagine!" it is what Tom Peters calls "The Experience," "the something more" that your organization provides your customers and other stakeholders, over and above their expectations.

Mr. Peters emphasizes his absolute conviction that the quality of The Experience translates into many millions of dollars of market cap for publicly listed companies. He believes, as do I, that these intangible values enhance the creation of financial value and, just as importantly, protect it when the going gets tough. If one could describe and chart the way one's company does business both internally and externally and the way the company reacts in adverse circumstances or in situations of change, like acquisitions, then one would be that much closer to evaluating how these intangible values affect the bottom line.

In the same Harvard Business Review article I referred to earlier, the authors don't mince their words. "Measuring the value of...intangible assets is the holy grail of accounting. Employees' skills, IT systems and organizational cultures are worth far more to many companies than their tangible assets. Unlike financial and physical ones, intangible assets are hard for competitors to imitate, which makes them a powerful source of sustainable competitive advantage."

This is particularly true in our business. Think for a moment of how much the success of our businesses lies in the quality of our human relationships, how much depends on the successful outcome of negotiations and the sense of trust that we put in our business associates and that they put in us. The value of our intangible assets is—to paraphrase a popular commercial—priceless.

One important element of these intangible assets, in more and more corporations today, is the corporate Code of Ethics. We have one at Astral and I believe that it has a major impact on the way we work. There is an "Astralness" that distinguishes us as a corporation, that is at the heart of the way we do business.

This Astralness is based on four corporate values:

- Performance: we always strive to deliver the best possible results.

- Integrity: we aim to be transparent, fair and ethical at all times and in all dealings.
- Commitment: we have a passion for what we do and a love of work well done. Working at Astral is not just a job.
- Respect: we believe each individual deserves to be treated with respect.

We are convinced that we can thrive and, as naive as it may sound, still be nice people. Now before you laugh, I happen to know that the only thing Bell Expressvu and Rogers have ever agreed upon is that Astral is the "nicest" programmer.

We have long been aware that our reputation is affected by our day-to-day dealings and negotiations with all of our constituents, be they audiences, advertisers, the regulator, cable and satellite affiliates, producers and distributors of programming, as well as employees.

Our attachment to the four values I've just mentioned has been an integral part of our company through more than 40 years of growth as a family-owned business, from our humble beginnings as a photo-finishing store in Montreal to today's successful pure-play media company.

Throughout the evolution of Astral, I am convinced that our emphasis on the principles of performance, integrity, commitment and respect has been a key element of our success. These intangible corporate values are the Astral stamp. My point is that this "corporate personality," born of the historical experience and the operating principles that govern the way a company conducts business, is something that has an influence on the economic value of a company.

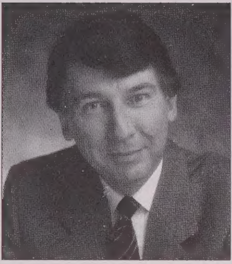
Our financial value as a company—and indeed, the performance of our cultural and media industry as a whole—is a direct result of how well we translate our commitment to cultural values and intangible assets into good business. On this account, our dynamic media and cultural industry has demonstrated sustained and significant economic contribution. I am convinced this pattern will continue.

For it to do so, however, we must maintain our steadfast support of a distinctly Canadian broadcasting system, one that happens to be the envy of the world. It is this strong broadcasting system, together with respect for the values I have described today, that will ensure a bright future not only for our industry but for the "Canadian-ness" of our culture.

Thank you very much for your attention this afternoon.

The appreciation of the meeting was expressed by Verity Craig, Principal, Carmichael Birrell & Co. and Director, The Empire Club of Canada.

Verity Craig, Principal, Carmichael Birrell & Co. and Director, The Empire Club of Canada, John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada, Ian Greenberg, President and CEO, Astral Media Inc. and Susie Jacobsen, Grade 12 Student, North Toronto Collegiate Institute.



March 11, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

John A. MacNaughton

President and CEO, CPP Investment Board

THE CANADA PENSION PROMISE: MAINTAINING TRUST WITH CANADIANS

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Mary Susanne Lamont, President, M.S. Lamont and Associates and Director, The Canadian Club of Toronto; Jenny Chen, Grade 12 Student, North Toronto Collegiate Institute; Rev. Michael Clarke, Christ Church, Brampton; Julie K. Hannaford, Partner, Borden Ladner Gervais LLP and Past President, The Empire Club of Canada; Dr. Gail Cook-Bennett, Chairperson, Canada Pension Plan Investment Board; Margaret M. Samuel, MBA, LLB, CFA, Vice-President and Portfolio Manager, Alternum Capital and Director, The Empire Club of Canada; MGen. Bruce J. Legge, CMM, CM, KStJ, ED, CD, QC, Partner, Legge & Legge and Past President, The Empire Club of Canada; and Michael MacMillan, Chair and CEO, Alliance Atlantis Communications and President-Elect, The Canadian Club of Toronto.

Introduction by John Koopman

It is a great honour, as well as a great pleasure to have a past president of the Empire Club of Canada address the club. Mr.

MacNaughton was President of the Empire Club in our 1979–1980 year.

It pains me, and perhaps Mr. MacNaughton as well, to admit that the world's first pension promise was not made somewhere in the British Empire. The world's first pension promise was made by German Chancellor Otto von Bismarck.

In 1871 Bismarck was at the peak of his popularity. He had created the Second German Reich out of 36 formerly independent kingdoms, duchies, principalities and free cities and was its first chancellor.

A decade later however, Bismarck was under increasing pressure. His campaign against the Catholic Church—the Kulturkampf—had failed, the economy was in recession and Germany was groaning under the cost of supporting the large Prussian military and high prices created by government-protected industrial cartels.

Working-class Germans were increasingly supportive of the Social Democratic party, which Bismarck regarded with ideological contempt and personal loathing.

The Iron Chancellor responded with extreme measures and banned the SPD from meeting and disseminating their doctrines. Bismarck knew however, that although he could easily dissolve the SPD he could not as easily eradicate the underlying demand for social reform within the German body politic.

Soon after destroying much of the SPD in 1883 he embarked on a series of social reforms that implemented large portions of the SPD program.

Bismarck wanted to bring the industrial workers of the formerly independent German states under the control of the newly formed and unified Germany. Pensions were the tool to lure workers away from private and communitarian systems and into the arms of the federal government. In this process Germany became the first nation to adopt an old-age social insurance program.

The need to control was never very far from Bismarck's Prussian heart. In his own words: "anybody who has before him the prospect of a pension, be it ever so small, is much happier and contented in his lot, much more tractable and easy to manage."

Bismarck has been, probably justly, called a "Machiavellian power politician." Bismarck might have been trying to con people into believing they were going to get something from the state, without the state actually having to deliver. As the pension program was being constructed he asked actuaries how long the average person could be expected to live. The actuaries responded with less than 65 years. Bismarck then set the retirement age at 70. With today's life-spans this would be equivalent to about 85.

The German retirement age was not lowered to 65 for another three decades—in 1916 long after von Bismarck left this world. President Franklin Roosevelt copied this 1916 reduction in the retirement age in his New Deal legislation that fixed the retirement age in America at 65.

Mr. MacNaughton is going to speak to us about the Canadian pension promise, which presumably has more substance to it than Bismarck's promise.

Mr. MacNaughton is the President and CEO of the Canadian Pension Plan Investment Board. Prior to joining the CPP Investment Board, John spent 31 years in the investment business with Nesbitt Burns and predecessor companies. Mr. MacNaughton graduated from the University of Western Ontario with a BA (Economics) in 1967.

John MacNaughton

Thank you for the invitation to address the Empire and Canadian Clubs to speak about the Crown corporation I am privileged to lead: the Canada Pension Plan Investment Board.

Crown corporations exist to implement various dimensions of public policies. They are important instruments of Canada's system of governance. And, like that system of governance, they must earn and retain public confidence.

We take that seriously at the Canada Pension Plan Investment Board, which is why I am here today.

We live in a suspicious age. Anywhere you look in the public sector and private sector—in Canada and elsewhere—the integrity of governments and corporations is under siege. There is widespread concern about the ethical standards of those charged with acting in the best interests of others. Fiduciaries—whether pension fund trustees or corporate directors—deserve close scrutiny. After all, it's not their own assets they manage; they're your assets.

As scrutiny proceeds, the debate inevitably comes to that ubiquitous phrase—corporate governance. At its core, the corporate governance framework sets out the duties of fiduciaries—and the relationship of those who govern to those who manage.

But what is the most appropriate governance model? Different organizations with different mandates have adopted somewhat different governance frameworks. Yet they share common principles, one of which is to earn and maintain public trust.

That means paying attention to ethical matters. So we should ask:

Does the governance model address ethical conduct?

Does the governance model hold people accountable?

Does the governance model prevent and, if necessary, facilitate the expeditious discovery of mistakes, fraud or malfeasance?

Does the governance model ensure that problems and unacceptable behaviour are dealt with promptly?

And if trustees and directors watch over management and elected representatives watch over public servants, who watches over the watchers?

The answer is the citizen electors in the public sector and shareholders in the private sector. But do they have enough reliable information to make informed judgments? In short, is there sufficient transparency?

These concerns relate to all public and private-sector corporations. What is different for Crown corporations is how their governance model defines the relationship with government, and the public at large.

I am lucky. I work for a young Crown corporation that has an unusual—and I suggest a sturdy—governance model. It has been in place for five years and has served us well thus far in our corporate life.

Our governance model balances responsibilities and accountabilities. It protects confidential and private information in the normal course of business, while letting in sufficient light that others can see what is going on. It keeps us at arm's length from governments in our investment, procurement and recruitment decisions while insuring that governments who are the CPP sponsors, and therefore its ultimate stewards, have appropriate oversight.

Still, how can you be sure that we at the CPP Investment Board are operating at arm's length from government while still being held properly accountable? After all, we are a Crown corporation—a product of the political process.

Let me tell you a story that I think will pleasantly surprise you. And I will begin by taking you back a few years—first to 1966 when the Canada Pension Plan was born and then to 1996 when our governance model was—well, conceived would be the right word—with birth officially a year later.

The Canada Pension Plan was created in 1966 as a pay-as-you-go scheme. Unlike other pension plans, it was never designed to be fully funded. The basic idea was that current workers would pay the pensions of retired workers. That made sense in the 1960s when there were seven workers for every pensioner.

But 30 years later—in 1996—the plan was in dire straits. More money was flowing out to pay benefits than was flowing in from contributions.

Meanwhile, Canada had undergone dramatic demographic change. By the mid-1990s, there were only five workers for every retiree. The situation is getting worse. By 2030, there will be only three.

In response, the federal and provincial finance ministers of the day did something admirable. We often accuse politicians of failing to see beyond the next election. But those finance ministers looked deeply into the 21st century and took bold actions.

Among many changes, two stand out. First, they increased the contribution rates of employers and employees from 6 per cent on most wages in 1997 to 9.9-per-cent effective in 2003. This was a large increase though less than would have been required if they had delayed. Second, they created the CPP Investment Board to invest the plan's financial reserves.

Before I get to the CPP Investment Board, let me draw out three features of the Canada Pension Plan that do not appear to be well known. They help to explain why we have the governance model we have.

First, contrary to popular belief, the Canada Pension Plan is not a federal program although it is administered by the federal government. The stewards of the plan are the federal and provincial governments. Together, they set the funding policy, contribution rates and benefit levels.

Second, the CPP is not government financed. It is funded solely by workers and their employers. The only financial obligation on governments is to match the CPP contributions of their employees—just like any other employer.

Third, CPP reserves are not part of consolidated government assets. They sit in segregated accounts and cannot be used for any purpose other than administering the plan and paying pension benefits.

This segregation is a sharp contrast to other jurisdictions. In the United States, for instance, social security contributions are treated as cash flow to the government, and have been since the 1960s. In Canada, we have the lock box that Americans can only dream of.

The chief actuary has stated that the plan is sound on this basis for at least 75 years—an opinion endorsed by a panel of independent actuaries.

So where does the CPP Investment Board fit in?

Our job is to invest excess contributions until they are required to pay benefits. Today, we are responsible for $31 billion in public stocks, private equity, real estate and infrastructure assets. Ottawa administers a $35-billion bond portfolio and cash reserve. These assets will be transferred to our care over the next few years.

The $66 billion in assets available to the CPP are expected to exceed $160 billion within a decade. The CPP Investment Board will be a large institutional investor for decades to come.

We have a heavy responsibility. Our legislation directs us to maximize investment returns without undue risk. In doing so, we are conscious of managing assets in a prudent manner in the best interests of the 16 million Canadians, who contribute to or benefit from the Canada Pension Plan.

I'm sure you are still thinking—that's all well and good—but how can a Crown corporation invest a large pool of assets at arm's length from government?

This is where the federal and provincial finance ministers were ingenious in identifying the potential risk and designing safeguards. Let's go to my second milestone date—1996. That year, a federal/provincial task force set off across Canada to consult with Canadians on how to revitalize the Canada Pension Plan.

To ensure its long-term stability, the task force had to convince workers and employers to contribute much more. A key factor in gaining acceptance of a higher contribution rate was the commitment to develop a governance structure that ensured contributions would be invested wisely by qualified professionals.

The CPP Investment Board was conceived during the consultations with the public and between the federal and provincial governments.

Let me take you inside that governance model to show how independence from political influence is balanced by a level of accountability to Parliament, the provinces and the public unparalleled in Canada.

Like other Crown corporations, the CPP Investment Board has its own board of directors and professional management team. From the beginning, the federal and provincial governments resolved that ours should be an experienced board. Our legislation requires the board to have "a sufficient number of directors with proven financial ability or relevant work experience."

The criteria approved by governments identified individuals with experience in a senior capacity in the financial industry—broad investment knowledge; experience as a CFO or treasurer of a large corporation or government entity—pension consulting experience; or accreditation as an investment professional.

You will be pleased to know, we have all that on our board of directors.

How the directors are appointed is also a departure from the traditional practice for Crown corporations. Let me explain. The finance ministers created a nominating committee chaired by a former private-sector chief executive officer. The provinces and federal government each appoint a member to the committee, which identifies and recommends a list of qualified board candidates. The federal finance minister appoints directors from that list after consulting provincial finance ministers.

This consultation is a check on partisanship because at any particular time federal and provincial governments are led by different political parties. To be appointed to our board of directors an individual needs to be broadly supported in Ottawa and in provincial capitals.

The process has produced a board of independent and independently minded directors with the mix of business, professional and investment experience appropriate to informed oversight of an investment management company.

Some might find it ironic that politicians from conservative, liberal and socialist parties enshrined the principles of board expertise and director independence in 1997 for a Crown corporation before the outbreak of corporate and accounting scandals forced other legislators and regulators to do the same for public companies. Based on the evidence, Canada's legislators were ahead of the times.

We spend a good deal of time thinking about governance matters at the CPP Investment Board. And we have consciously gone beyond the legislative requirements for such now-routine governance standards as conflict of interest policies, codes of conduct, restricted trading procedures and so forth.

We strive for best governance practices, including a rigorous process for the directors to evaluate themselves collectively and individually and for the board to evaluate my performance as CEO.

Let me give a small example with big ramifications of how hard we try to do the right thing.

Once a year, our directors evaluate the effectiveness of the board of directors based on a wide range of topics. Among the issues they consider is the statement "there has been no inappropriate pressure brought to bear on the Board, any director or management in the investment, procurement or recruitment decisions of the CPP Investment Board." The statement seems innocuous. It isn't. Obliging directors to deal with it formally is a sharp reminder that none in good faith can ignore.

Furthermore, the Board Chair, Gail Cook-Bennett, asks the directors if any federal or provincial politician has tried to influence them. She asks me the same question in front of the board. In my four-and-a-half years in this job, I can tell you that neither I nor the organization has ever been subject to anything that remotely felt like an attempt at political influence. Fortunately, our brief history confirms that the political independence of the CPP Investment Board is respected on all sides and in all quarters.

Let me turn now to another cornerstone of good governance—disclosure. Full and timely disclosure is central to our governance model and it is unusual in its depth and frequency.

We file our annual report in Parliament through the federal minister of finance, file quarterly financial statements with federal and provincial finance ministers and hold widely advertised public meetings every two years in the nine provinces that participate in the Canada Pension Plan. Our next meetings are scheduled for June. Our Chair and I will be there and we invite you to attend.

In addition to these meetings, we meet with groups interested in the Canada Pension Plan and our investment activities. These include parliamentary committees as well as federal and provincial government officials with responsibilities related to the Canada Pension Plan. We also meet from time to time with union leaders, business leaders, students, pensioners, anti-poverty groups, regulators, actuaries and financial planners.

As for our financial statements, we publicly release them every quarter to the news media and post them on our Web site for public review. We also post our investment holdings every quarter.

No other pension fund discloses as much as we do—let alone quarterly. We do it because we believe that good disclosure is part of good governance.

Let me quickly identify some of the governance features that distinguish the CPP Investment Board as a Crown corporation, because I think they will increase your confidence in our mandate.

The finance ministers accepted that the CPP Investment Board would be a commercial venture requiring directors and executives with active business and investment experience. They designed our legislation accordingly. That legislation recognizes that conflicts of interest could arise and requires us to establish policies and procedures to resolve them. We have gone further. Our policies and procedures address not only real conflicts but also potential and perceived conflicts. If you are interested in our policies, you will find them on our Web site.

Here's another important distinction. Our board of directors hires, holds accountable and if necessary fires the CEO. They make the choice and then advise government, not the other way around.

Our directors approve our budgets, investment strategies and policies—not a cabinet minister. Management reports to the board of directors—not to government.

Like a private-sector company, our board appoints our external auditor and our internal auditor. Both report to the board's audit committee.

All these distinctions are solid underpinnings to the arm's-length nature of our relationship with governments. Of equal importance, they are essential ingredients of an effective board mandate.

Now you understand why I said earlier that the finance ministers did something admirable in taking bold actions. The finance ministers who designed this governance model had the foresight to understand that public confidence in the CPP Investment Board would require finding and holding the fine balance between operational independence for the organization on the one hand and public accountability on the other.

We were given a strong governance model and we are always searching for ways to make it better. Two years ago, for example, we retained three outside specialists to examine our ethical standards and approach to ethical issues. They liked what they saw, but inevitably found room for improvement. By the way, we published their findings on our Web site.

One of their recommendations was that we proceed with our board's idea of appointing an outside independent conduct review advisor. This culminated recently in what we believe is a first for a federal Crown corporation—the appointment of a part-time external advisor on conflicts of interest and ethical conduct.

The idea is that directors, employees and relevant third parties, such as external investment managers, have an alternative to the Chair, CEO or general counsel in discussing issues confidentially. In other words, we have opened up an avenue outside our organization for whistleblowers and for directors and employees seeking wise counsel in private on ethical questions.

We are delighted that Purdy Crawford, an expert in corporate, commercial and securities law with a deep legal and business background, accepted our invitation to serve as our external conduct review advisor. He reports to our Chair.

This appointment is our latest attempt to prepare the CPP Investment Board for an ever-more complex investment world where we, as fiduciaries, have ethical expectations of companies in which we invest—expectations therefore that we ought to exemplify ourselves.

What is conspicuous about our governance model is that it rests upon a federal and provincial sharing of interests and checks and balances. It is a model that shows federalism at its best and may have applications in other areas of shared jurisdiction.

Of course, what we do at the CPP Investment Board rests a great deal on public confidence and we track public opinion in areas associated with our mandate.

We know from research that Canadians like the idea that qualified investment professionals make the investment decisions under the watchful eye of qualified independent directors with business, financial and investment expertise.

We also know that Canadians do not want the CPP Investment Board to be beyond the purview of government. They want us to work effectively and respectfully with those public servants in Ottawa and the provinces who have important responsibilities for the design and delivery of the Canada Pension Plan. And we do. They want public accountability. They want ministers and parliamentarians to keep an eye on us. And they do.

The finance ministers undertake a triennial review of all aspects of our legislation and regulations and they commission an independent actuarial study of the financial soundness of the Canada Pension Plan.

As well, like other Crown corporations, we are subject to what is called a special examination. Every six years, the federal finance minister, in consultation with provincial counterparts, must order an examination of our financial and management control and information systems and management practices. This examination is currently underway and the examiner is expected to report to finance ministers this fall.

I hope what I have shared with you illustrates the wisdom and strength of our distinctive governance model. It has served Canadians well.

The vision of past federal and provincial finance ministers was a Crown corporation that balances independence with accountability in managing billions of dollars that belongs to Canadian workers.

The governance model they constructed is one that reflects positively on the working of our Canadian federation. It is one we believe will continue to serve Canadians for generations to come.

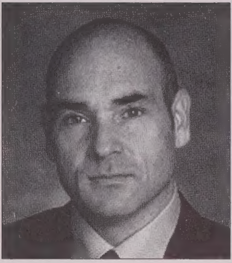
Our accountability to Parliament, the provinces and the public is unmatched by any Crown corporation or pension fund.

Gail Cook-Bennett and the board of directors she leads and the team of officers and employees I lead are mindful of the responsibilities entrusted to us. We have no illusions that our work is easy or that we are perfect. But I can assure you we are committed to best governance and business practices, as we do our part to keep the Canada Pension Plan promise to the millions of Canadians who are counting on us to help them retire with the security and the dignity that they deserve.

Thank you.

The appreciation of the meeting was expressed by Michael MacMillan, Chair and CEO, Alliance Atlantis Communications and President-Elect, The Canadian Club of Toronto.

MGen. Bruce J. Legge, CMM, CM, KStJ, ED, CD, QC, Partner, Legge & Legge and Past President, The Empire Club of Canada, John A. MacNaughton, President and CEO, Canada Pension Fund Investment Board and Past President, The Empire Club of Canada, Jocelyn Badovinac, UE, MEd, DH, Retired Specialist in Special Education and Volunteer and Archivist, The Empire Club of Canada, Edward P. Badovinac, KH, CET, Immediate Past Chairman, The Good Neighbours' Club, Director, The Empire Club of Canada and Chairman, The Empire Club of Canada Yearbook.



April 8, 2004

The Hon. George Smitherman

Minister of Health and Long-Term Care, Province of Ontario

TAKING CONTROL OF OUR OWN HEALTH

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada; Cam Hardy, Grade 12 Student, North Toronto Collegiate Institute; Rev. Canon Prue Chambers, St. Nicholas Anglican Church, Birchcliffe; Helen Stevenson, President, Savattuq Inc.; Dr. Mary Ferguson-Paré, Vice-President, Professional Affairs and Chief Nurse Executive, University Health Network; Hilary Short, President, Ontario Hospital Association; Dr. Lawrence Erlick, President, Ontario Medical Association; Ken Shaw, National Editor and Anchor of CFTO News at 6, CFTO-TV and Director, The Empire Club of Canada; Mark Rochon, President and CEO, Toronto Rehabilitation Institute; Dr. Sheela Basrur, Chief Medical Officer of Health, Province of Ontario; George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada; and Sheldon Sturrock, CEO, Allied Medical.

Introduction by John Koopman

There was a minister in the prior provincial government who recently underwent a serious life-threatening operation. When the ex-Tory minister awoke he found himself in his hospital room and Minister Smitherman there closing the blinds. The ex-Tory minister asked Minister Smitherman why he was closing the blinds. Mr. Smitherman responded to the bed-ridden Tory and said: "There is a large raging fire across the street and I did not want you to wake up, see all the flames, and think the operation had failed."

Hospitals have undergone a long journey. At the dawn of the Christian era, hospitals did not have a curative focus; they were houses of mercy that provided great spiritual solace but little else.

By the middle ages, hospitals had become houses of refuge and dying, where moral and spiritual concerns still prevailed and where caregivers were expected to fast and do penance. Hospitalitas, the Latin root for our word hospital, implies a sharing between the patient and the caregiver.

During the Renaissance, as scientific understanding grew, houses of refuge and dying gave way to houses of rehabilitation borne by the growing conviction that the sick and wounded might be cured, not simply cared for.

In the 19th century, hospitals took on significant research responsibilities. In the late 20th century they embraced high technology.

Contemporary hospitals are arenas of miraculous technical feats where the boldest technologies are developed and where complex, diagnostic and surgical procedures sometimes overshadow the compassionate care-giving that was at the core of Christian houses of mercy two millennia ago.

In most industries, technological advances drive down costs and improve productivity. In health care almost the reverse seems to be taking place; the more technology we (doctors and patients) get, the more we want. Health-care expenditures are rising across the western world and funding pressures beleaguer governments of all stripes.

Tommy Douglas's dream is under siege. Yet if there is one issue that unites nearly all Canadians, it is the desire to make health-care services available to all residents, regardless of their individual capacity to pay. How we can maintain our universal system is Minister Smitherman's challenge, and I am glad that it is his challenge, because I would not know how to solve it.

Minister Smitherman is one of those very few politicians with significant experience at all three levels of government. He was the Chief of Staff to Toronto Mayor Barbara Hall, he was an advisor to federal cabinet ministers David Collenette and Herb Gray, and an assistant to Premier David Peterson. And this was all before his 1999 election to the provincial legislature.

Ladies and gentlemen, please join me in welcoming the Honourable George Smitherman, the Minister of Health and Long-Term Care to the podium of the Empire Club of Canada.

George Smitherman

Ladies and gentlemen, I can't tell you what a thrill it is to finally make it to the Imperial Room! My only regret is that I'm not appearing with Guy Lombardo.

These past five months have been exciting times for Ontario. And they've certainly been exciting times for me.

When Premier McGuinty called me to ask me to serve as Ontario's Minister of Health, I knew I'd be taking on some remarkable challenges. But I also knew that I would do so with the full support of the people of Ontario.

That's because we all want our health-care system to work. Whatever side of a particular issue we're on, there's a deep and unshakable consensus in this province in favour of our system of public health care. This support makes my job a whole lot easier.

My job is also made a lot easier by the fact that we have a fundamentally good health-care system. I've said on many occasions, that medicare is the best expression of Canadian values. That's something I believe with all my heart. But there can be no doubt that we need to make significant changes to our system to make it sustainable in the future.

Over the past five months, I've had the privilege of meeting many of Ontario's dedicated nurses, first-class researchers, inspirational volunteers, instructors at our medical schools, and doctors, pharmacists, therapists and dietitians who are among the finest in the world. I'm delighted to see many of them here in the audience today—even though Guy Lombardo isn't on the bill.

I'd also like to extend a warm word of thanks, and praise, to the health-care institutions which, in many ways, serve as the public face of our health-care system: our hospitals. Ontario's hospitals do remarkable work, provide excellent care, and serve as model members of their communities.

And the results of all this expertise and good work are clear: life expectancy of Ontarians is above the Canadian average and among the highest anywhere in the world.

We're living longer, that's for sure. But are we living better? By any number of measures, we are not as healthy as we could be.

We have all kinds of information about health at our fingertips, and an abundance of resources at our disposal—and yet so many of us fail to take care of even our most basic health-care needs.

Our government's goal is simple and it's bold: to make Ontarians the healthiest Canadians. This goal is within our grasp. But to get there we need to make some significant, positive changes to the way we think about health care and the way we deliver health care.

The McGuinty government brings a new determination to make these necessary changes; to put public health care on a sustainable path. Let there be no mistake: our cherished health-care system simply won't be there to preserve our health tomorrow if we don't take steps to make it sustainable today.

I want to take a moment to talk about our plan for positive change and the gains we're making towards a healthier Ontario.

First, we are making our hospitals—the anchors of the health-care system—sustainable. At the heart of our transformation plan is a recognition that our hospitals have been asked to do more than they are best built to do.

We are bringing stability to the funding process for hospitals. Predictable funding will give hospitals the capacity to plan. Greater predictability and stability come with clearer expectations about results. From here on in, all funding to hospitals and all health-care providers will be tied to results that matter to Ontarians: results like reduced wait times for cataract surgery or an MRI or CT scan.

If there's one solution to making health care sustainable and to refocusing our concept of being healthy it's this: put care in the community; make care available to people as close to home as possible.

Our government is investing our resources to build strong, effective community-based health care. We will revitalize home care. We will bring greater stability to long-term care facilities and protect and promote the health and quality of life of seniors who live there. We will improve access to mental health care in the community.

One of the most far-reaching changes we've made is to move decisively on renewing primary health care. We will provide Ontarians with more multidisciplinary teams of health-care professionals—family doctors, nurse practitioners, pharmacists and others—providing comprehensive health care.

These front-line care teams will assist people with their day-to-day health needs—whether it's managing a chronic condition like high blood pressure, or treating a minor illness like an ear infection. What's more, these teams will take an active role in helping people to stay well and to avoid illness all together.

To improve people's access to front-line health care, we're increasing opportunities for international medical graduates.

Prevention will be as much a part of their care strategy as treating illness.

By providing people with access to a range of health professionals, at the right place, at the right time, we will transform health care in this province.

I could focus my remarks today on any one of these change strategies. But instead I'd like to use this opportunity to talk about a topic which, to my mind, is even more fundamental than any of these; a topic that our government is absolutely passionate about. It's this: we want to change the way Ontarians think about their health. We want to broaden our understanding of what it means to be healthy.

Ladies and gentlemen, it's time for a revolution, a revolution in which we take back control of our own health.

Today, I'll tell you what I mean by that—and I'll enlist your help.

The reality is that we don't yet have a "health-care" system in this province. We have a "sick-care" system. We're very good at providing "sick care." But we have to move beyond that. We have to provide true "health care."

Taking our health back won't be easy. It will demand that we challenge some of our long-standing assumptions and perhaps even shake up the status quo a bit. But it's vitally important.

Again, people can't get healthier all on their own. We need to have vibrant complementary community-based health care in place to support them along the way.

There are two parts to this job. The first consists of these community-based investments I've just mentioned.

The second element is more challenging and it's profoundly exciting—inspiring people to take back their health. Inciting all of us individually and collectively to take steps to make Ontario a healthier place.

I'm talking about infusing a healthy culture in all areas of community life—in our families, in our schools, and in our workplaces.

And, I'm talking about convincing people that they have the power to take real action to improve their health. I encourage people to look for opportunities each and every day to make an improvement in their own health.

Walk that extra block. Take the stairs. If you smoke, smoke less. Have some fruit instead of a chocolate bar. We have to take control of our own health.

For many people, this represents a significant attitude-shift. Many of us have come to expect that there will always be a pill or a procedure to relieve whatever ails us. We've got to change our way of thinking.

Good health isn't something you can pick off the shelf at a hospital. And you can't just "fill up your tank" when you visit your doctor.

People in positions of influence—people in this room today who are legislators, parents, teachers, health providers and employers—all have a critical role to play. The decisions we make and the messages we deliver have a powerful impact on personal health choices.

Let me start by telling you about some of the progress our government is making on the first front: investments and reforms to the existing system.

Our government is taking real steps to make health care more accessible to Ontarians at the community level. The health of Ontarians is our most precious resource. And we're going to bring the system into the 21st century.

One area where we're ushering in changes is the role of hospitals. As I said earlier, our hospitals do terrific work, but we've been asking them to do too much.

Our hospitals cannot and should not be the sole access points for health care. Far too often people end up in a hospital emergency room for a minor illness or injury because their doctor's office is closed or because they don't have a doctor at all.

That's not good for that patient. It's not good for others who have pressing health emergencies. And it's certainly not a good use of health-care resources.

If you don't have a doctor, that's the real emergency!

When people have a non-emergency health problem they should be able to turn to a family physician or health-care team in their community.

Our government's vision includes a range of health-care providers working to deliver health care tailored to that community's and that patient's unique needs. And we're taking real steps to make this a reality.

During the past several weeks, we've taken action, funding new initiatives which will bring together family physicians, nurse practitioners, pharmacists, dietitians and other front-line health professionals to deliver around-the-clock care, as close to home as possible. These teams are available to provide a full range of treatment and care to bring people back to health and keep them healthy in the first place.

These front-line health teams will allow all health professionals to benefit from the complementary knowledge and skills of members of their team. And as a result, patient care will be enhanced.

These kinds of announcements don't always make the front pages. But they represent important steps in making our health-care system more accessible, more integrated, and more responsive.

But while this community component to improving the system is crucial, the second element, the individual component, is even more important and more difficult to tackle.

We need to take more personal responsibility for our own health; it's that simple. As health-care spending in Ontario inches closer to the $30-billion mark, there may be a tendency for citizens to expect that money is the answer to every health-care need. But the real power is not in the dollars, but in a new commitment on the part of Ontarians to take control of their own health. Let this be a call to arms.

We have to find a way to get people thinking about their own health and wellness before they're diagnosed with high blood pressure. Before they have a cancer scare. Before they one day step on the scale and realize they can't see the dial.

Whether you're overweight, or a smoker, or haven't exercised, my message to you is this: it's not too late. Our goal isn't a province where every single person is an Olympic-calibre athlete, but a province where every single person makes a commitment to continuous improvement.

The good news is that it can be done. I know—because I'm doing it. February 12, 2003—the date of my 39th birthday—was a turning point for me. At my birthday party that evening, I was heavier than I'd ever been in my life. I weighed in at close to 245 pounds and I wasn't happy about it. On that day, I made a decision to turn things around. It wasn't easy, especially at first. But I'm doing it.

And, while I may not be a poster child for physical fitness, I now exercise much more regularly, I eat somewhat better, I drink much less, and I fight, every day, to bring my weight to a healthier level.

The biggest benefit of my new commitment to good health is my energy level—something which has proved rather helpful in this great new job of mine. Today I weigh in the 210 to 215 pound range.

I've embraced the motto of continuous improvement—the same goal that I encourage all Ontarians to embrace.

But let's be clear.

We're not going to get people to embrace this message of personal responsibility simply by spending dollars or passing laws. The only way to do it is for each one of us to make that personal commitment.

The great reward is that a commitment to one's own health immediately contributes to the sustainability of medicare—the gift that keeps on giving.

Part of "personal responsibility" means giving people access to their health-care information and a direct say in how that information is used. That's why I recently introduced legislation giving patients more access to their health-care files, and creating greater privacy for their health-care data.

We're also moving forward with a plan to give people accurate, timely, unbiased health-care information. Not partisan, self-serving rhetoric, but honest information presented in a clear way.

I think everyone could agree on the urgent need to provide Ontarians with an annual report on our health-care system and the health of Ontarians. We're going to gather an impressive array of Ontarians and call them the Ontario Health Quality Council and ask them to do just that.

Another of our tools is Ontario's Web site—HealthyOntario.com. The Web site is on display outside the Imperial Room. This bilingual Web site provides practical, up-to-the minute information about healthy lifestyles and prevention. I'm proud to say that HealthyOntario.com has been ranked one of the top-10-best health Web sites in Canada.

Information is a crucial tool and an important start. But we're doing more. In the coming months, you will see a co-ordinated effort on the part of this government to tackle obesity by getting kids to eat better and getting them more active.

And you're going to see a determined, flat-out battle against smoking.

Let me tell you about these upcoming battles, and why I'm convinced we will win them. We will and we must.

Obesity, especially childhood obesity, is a health-care crisis, which is exploding. It's estimated that 37 per cent of Canadian kids are overweight, and that the proportion of obese kids has tripled since 1981. And the implications of this couldn't be more serious.

New research shows that overweight pre-teens have arteries as thick and stiff as a 45-year-old smoker. Doctors have identified signs of "vascular dysfunction" in children as young as nine! According to the American Heart Association, these kids are three to five times more likely to have a heart attack or stroke before the age of 65.

There's also new evidence that one in four obese children has early signs of acquired Type 2 diabetes—the kind once almost never seen in children.

This link to diabetes is particularly devastating. Let me give you some of the facts. Diabetes inflicts more morbidity than any other disease in Canada. It accounts for 50 per cent of all cases of blindness, more than 50 per cent of all renal dialysis and kidney transplants, 43 per cent of heart failure and 30 per cent of strokes.

Diabetes is a personal health tragedy for those afflicted, creating enormous disability and depriving too many Ontarians of a full and productive life.

Diabetes represents a major pressure on our entire health-care system. The cost to the Ontario health-care system of diabetes alone is estimated to be $1 billion and growing fast.

While the facts are sobering and the projections are frightening, the good news is that this kind of damage can be prevented and even partially reversed through exercise and a healthier diet.

It gives new meaning to the old phrase: "You can pay me now or you can pay me later."

Our schools are a crucial part of the solution. And my colleague, the Minister of Education, is as committed to this project as I am.

Another key player I'd like to introduce to you is my parliamentary assistant, Peter Fonseca. I can't think of anyone more qualified to help deliver the message of health and fitness than a former Olympic athlete.

With respect to our schools, let me put this in very blunt terms: we don't believe school boards should receive financial incentives from people like soft drink companies for providing kids with unhealthy food.

An overwhelming majority of Ontarians strongly agrees that junk food should be banned from public schools—so it will. And an even larger majority agrees that governments should make it mandatory for all students from kindergarten to grade eight to have at least 20 minutes of physical activity each school day. We are committed to moving forward on these changes. The time has come.

The battle against tobacco is another story. This battle has been fought for many years, on many fronts. But the battle is about to escalate. In last fall's general election, my party made a commitment to a public smoking ban within three years, a promise I'm going to deliver ahead of time. Ahead of time because tobacco is the number-one preventable cause of death of Ontarians, because tobacco kills people and those it doesn't kill it afflicts with chronic health problems. Our mission is to reduce and ultimately eradicate the impact of tobacco on our health and on our health-care system. Because for us, keeping families alive is job one!

In the coming months you will see an anti-tobacco effort like you've never seen before. We're going to protect those who don't smoke from the dangers of tobacco. And we're going to discourage young people from taking up smoking, not by trying to coerce them—as all parents know, that can be tough—but by educating them and helping them to educate one another. And, even more importantly, by getting out of the way while kids get involved on the front lines of this battle.

When you're young, it's hard to make the link between a cigarette today and cancer or heart disease tomorrow. The cold hard fact is that approximately half of all long-term smokers die from a smoking-related illness. About 16,000 Ontarians will die needlessly this year as a result of tobacco use.

We're going to help people quit.

Just consider this, within only a few hours of quitting, your risk of having a stroke drops by about 40 per cent. After one day, your risk of a heart attack drops off. The personal rewards of quitting are immediate and they're powerful.

We're planning tough controls on tobacco advertising in public and retail spaces. We're going to make cigarettes more expensive and harder to purchase. In fact, we've already increased taxes on cigarettes by $2.50 a carton.

On the legislative side, we will take aggressive action to ban smoking in all work and public places. And if anyone doesn't believe me when I use the word "aggressive," I invite them to stand in our way. Within three years we will make all work and public places 100-per-cent smoke-free.

This year will be the year we launch our Comprehensive Tobacco Strategy. We will build on the momentum that we had, but lost, under the previous government. We will build on the important work of former health minister Ruth Grier.

Yes, I know that '"Big Tobacco" will resist these changes. They always do. They'll fight back. They'll throw obstacles in our path. They'll recruit expensive lawyers and high-priced lobbyists. They'll mobilize restaurant and bar owners, and convenience store operators and the like. They'll talk about a loss of jobs and a loss of personal liberty, but they will not refute the fact that consuming their product is a deadly habit. That's why I wrote to the Organizing Committee of the Ontario Tobacco Control Conference to share my concerns about the tobacco industry with representatives registered at the conference. The tobacco industry profits from the use of tobacco. They have no place at a conference about fighting tobacco use. I strongly encouraged the committee to de-register the members of the tobacco industry from this important conference.

I've seen and felt these fights before. And I'm ready for them.

We've built a great team and we've already recruited someone who's also been through these anti-tobacco battles before, someone who will add awesome depth and leadership to our anti-smoking strategy. Dr. Sheela Basrur is sitting here at the head table today.

A big part of the challenge is changing the way people think. As I said at the outset, that's my goal: to persuade people to think about their health in a different way.

Right now, we live in a society where popular culture still glamourizes smoking and views junk food as harmless.

We don't think twice about allowing school cafeterias to sell kids a staple of pizza and heaping plates of fries for lunch. We shake our heads at the problem of childhood obesity, but don't seem to draw the link to food courts where shockingly high-fat foods are consumed.

We have to change our attitudes.

I know this will be tough to do. I'd like to give you an example of just how deeply engrained this is in our society.

There's a commercial I've seen on TV a few times during the past month or two. Perhaps you've seen it. A team of peewee hockey players from Stouffville are on a road trip to a hockey tournament. It's a good ad. Well produced. Kind of funny. But part of the ad's story line has these kids consuming quantities of cheesies, donuts, sugar-filled pop, and chocolate bars on a bus ride.

Let me be clear: I have no quarrel with the company behind the ad. The problem is much more fundamental. This ad isn't the problem; it's a symptom. It's a symptom of inattention that far too many of us have for the implications of our decisions and implications of the messages we send.

You know how big our challenge is when one of the largest advertisers in the world unintentionally promotes what I refer to as the "Acquired Diabetes Diet."

There are no easy solutions, but, as with smoking, I know that we can stop glamourizing it and we can stop normalizing it. We can take steps toward making it less acceptable, less "cool." At the very least we can raise awareness to the point where people ask more questions.

And next year, or in three years, when a similar ad is being produced, a creative director or a producer might think for a moment about what kind of message is being conveyed. Or the ad might be tested in focus groups and a small but growing number of people might react negatively. Because chances are that one of them knows somebody whose life has been cut short by a preventable illness.

Because we all do.

Changing behaviour and changing attitudes take time. But I know that it can be done. We can educate people and, over time, we can modify behaviour, especially among young people.

A generation ago, when we set out to raise awareness of environmental concerns and to promote recycling, we started with kids. And kids, in turn, helped to bring their parents on side. I think that may be the way to go with this mission as well.

A few weeks ago, I visited a grade six and seven class in Markham, and I said to them: "I want you to start a revolution—a revolution to take back your own health!" Because, based on statistics, society is failing them. I told each of them about my health-care hero Kristopher Knowles, a sweet, spirited, courageous grade-eight kid from Sarnia who badly needs a liver and so he's taken a year off school to promote organ donation.

The power of grassroots youth leadership is thriving in Ontario.

I'm delighted that some of those leaders are here with us today. I'd like to acknowledge Jennifer Ravshi of Saint Paul Secondary School in Mississauga, sitting right here in front. Jennifer is a founding member of the "Smoking Isn't Cool Program." This program is making teens think twice about smoking.

And there's Christine Delaney from the One-Step program at the Peel District School Board. Christine is an adult who understands the power of kids helping kids and changing their communities. The One-Step program is creating a healthy movement in every school in the district.

Another group is the students of St. Peter's Catholic High School in Ottawa. These young activists organized a petition for a smoke-free Ontario. They distributed 18,000 blue ribbons in support of this campaign.

These are complex issues—politically, legally, and philosophically.

I didn't get into politics to meddle in people's lives, but I did get into politics to make a difference. And this is an area where I want to make a difference.

The reality of the situation could not be more clear or more stark.

Bad decisions today are depriving families of loved ones tomorrow. The time for talk is over. It's time for action.

Premier McGuinty often reminds us that no one among us is as strong as all of us, together. Together, there is no limit to what we can achieve.

All that's needed now is for us to join together and begin this revolution—not with shrill rhetoric or isolated hit-and-run attacks, but with our heads held high, speaking with one strong, clear voice, moving forward with confidence and determination.

And we will win because there is strength in numbers and there is strength in truth.

The appreciation of the meeting was expressed by George L. Cooke, President CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

April 14, 2004

Major General (Ret'd) Lewis MacKenzie

President, General MacKenzie Enterprises

WHO'S THE WORLD'S SHERIFF—THE UN OR THE U.S.?

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Major General (Ret'd) Reginald W. Lewis, CMM, CM, CD, Past President, The Empire Club of Canada; Matt Stephens, Grade 12 Student, North Toronto Collegiate Institute; Reverend Paul Kett, St. Paul's Anglican Church, Uxbridge; Major General (Ret'd) Bruce J. Legge, CMM, CM, KSt.J, ED, CD, QC, Past President, The Empire Club of Canada, Partner, Legge & Legge, Former Major General Reserve, Canadian Land Forces and Former Colonel Commandant, The Logistics Branch; Colonel Gary Stafford, 32 Brigade Commander; Alek Krstajic, Chief Marketing Officer, Consumer Markets, Bell Canada; Tim Reid, President, Strategic Investor Relations and Director, The Empire Club of Canada; Tom Clark, Host, W-Five, CTV Network; Rebecca MacDonald, Chair and CEO, Energy Savings Income Fund; and The Hon. James K. Bartleman, Lieutenant-Governor of Ontario and Honorary Vice-President, The Empire Club of Canada.

Introduction by John Koopman

The British Empire is a Victorian irrelevance for much of today's generation, but a century ago Britain was the undisputed sheriff of the world. It was the largest empire in history and as close to world domination that has ever been achieved.

The Empire, like all human institutions, was not without fault. When Imperial authority was challenged, as it was in India in 1857 or South Africa in 1899, the British reflex was brutal. When famine struck in Ireland in 1840 the response was at best negligent and in some measure positively culpable.

Yet the British Empire was also one of the great modernizing forces of history. The Imperial enterprise, even when it did not live up to its ideals, and no generation ever does, was at its core a duty-driven progressive force, the essence of which Kipling caught in verse when he wrote (and I take some poetic license):

Take up the Empire's burden—
The savage wars of peace—
Fill full the mouth of famine
And bid the sickness cease;

Where the Empire went it took with it the common law, English forms of land tenure, representative assemblies and the notion of liberty itself.

Without the British Empire the structures of democratic capitalism would not have taken hold around the world. Empires that adopted alternative models—the Russians, the Chinese and the Spanish—imposed incalculable misery on their subjects. It is no accident that countries colonized by Her Majesty are for the most part free and materially wealthy and countries colonized by other colonial powers are often poor or politically shackled. The Britannic monarchal system is frankly the most reliable guarantor of personal liberty and material well-being in the world. It is tempting to argue that it all would have happened anyway, but it would not be true.

In some sense the British Empire was always self-liquidating. Whenever the Empire behaved despotically there was always a lively critique of that behaviour from inside British society itself. Once a colonized society had sufficiently adopted British institutions, it became very hard for the British to prohibit that very political liberty to which the Britons themselves attached so much significance.

But there is obviously a new sheriff in town. Whether it wants to or not, the United States must now assume the mantle of empire. Let us hope that the Americans understand what Kipling understood a century ago: empires would never be popular, and his words are applicable to America today:

Take up the Empire's burden—
And reap its old reward:
The blame of those ye better,
The hate of those ye guard—

Major General Mackenzie is a 36-year veteran of the Canadian infantry. He has served on nine peace-keeping tours of duty. In May of 1992 he assumed command of Sector Sarajevo in Yugoslavia. Leading a contingent of soldiers from 31 countries he opened the Sarajevo Airport at the height of the Bosnian Civil War. Following the September 11 attack he was appointed an advisor to the provincial government on counter-terrorism and emergency measures.

Ladies and gentlemen, please join me in welcoming retired Major General Lewis MacKenzie to the podium of the Empire Club of Canada.

Lewis MacKenzie

Considering the name of this club and its history it might be a surprise to some that I've been invited here to speak. Back in the early '90s our government was conducting public hearings on immigration, dual citizenship, the citizenship oath and related matters. The hearings were not receiving much coverage and as I was subject of a fair amount of media attention at the time the committee asked me to appear as a witness. During my opening statement I indicated that I had reviewed our citizenship oath and was concerned that a total of six of nine sentences dealt with the Queen, her heirs and successors while absolutely no mention was made of loyalty to Canada. I suggested changes that would merely adjust the emphasis. The next day one of the Toronto papers had a headline that read, "MacKenzie says, 'Dump the Queen!'" I know how John Manley feels.

Like most speakers I rarely address the advertised subject. However in this case the question "Who's the world's sheriff?" is both timely and important—particularly for Canada.

In 1994, I was in a massive Minneapolis cathedral making a presentation somewhat critical of the UN's inability to run large peace operations in the post-Cold War world. At the end of my speech an elderly gentleman approached me and said, "General, you are entirely correct in everything you said, but you have to remember that when we created the UN in 1945 it was for one purpose and one purpose only and that was to make sure we didn't have World War Three—so I guess it's been a success so far." As he turned and walked away I asked, "Who was that?" Someone replied, "Oh, that's Harold Stassen, a past multi-term governor of Minnesota. He ran for the U.S. presidency as an independent a number of times and…he is the last living signatory of the 1945 UN Charter drafted in San Francisco!" Needless to say I chased him down and we stayed in touch until his passing three years ago at the age of 94.

I share this story because it's a reminder of the UN's original role, which dealt primarily with international peace and security. None of the 50 original countries signing on in 1945 were from the Third World and most of them were on "our" side—the winning side in WW2. The majority of the current 191 member states—35 new members since the end of the Cold War—are from the developing world and frequently vote against the West in the General Assembly.

While all this dynamic change has been taking place in the General Assembly, the Security Council has been trapped in a 1945 time warp. Just about everyone knows that each of the Security Council's permanent five (Perm 5) countries—the U.S., the U.K., China, France and Russia—have a veto. What is lesser known is that the veto only applies to two categories of council business—international security issues and—conveniently—Security Council procedures. In other words, any attempt to change the membership of the Perm 5 or any of the rules governing the use of the veto would have to survive a vote to do so without one of the Perm 5 countries objecting. Fat chance!

The result of all this rigamortis has been a frequently dysfunctional Security Council.

Throughout the Cold War, the standoff between the U.S. and the Soviets made the council's work pretty simple. None of the Perm 5 involved themselves in traditional peacekeeping in places like the Middle East, Africa or Central America. Other countries like Canada, Norway, Sweden, Fiji, Senegal and some 20 others provided the troops to missions where there was actually some peace to keep.

The implications of failure, resulting in thermonuclear exchange between the two superpowers during the Cold War, were horrendous. However, the world itself was a relatively stable place where everyone knew which side they were on and acted accordingly.

All that relative stability evaporated with the demise of the Soviet Union in the late '80s. All the Cold War constraints were removed and accumulated old grievances from the Balkans to Africa, to Kurdistan to the Caucasus, to the Philippines and numerous points in between exploded with internal conflicts—and the Security Council, because of the national self-interests of the Perm 5, wouldn't and couldn't adjust to the new challenges.

Starting with Yugoslavia in 1992, UN military intervention missions were launched using outdated Cold War criteria. Security Council members naively assumed that the belligerents wanted the UN to intervene, that minimal budgets for best-case scenarios would be adequate, that the use of force in self-defence would be sufficient and that the various missions and their commanders would have plenty of time to get up to speed once they arrived in the mission area.

What followed was 10 years of unmitigated disasters for the Security Council and the world. First was the tentative response to the all-out war in the Balkans—not quickly as my colleague Romeo Dallaire has stated but a full year after the fighting started; the declaration of "UN safe havens" that the UN couldn't defend, with the resulting overrunning of Screbinica; an initial UN force so inadequate in Somalia that the Pakistani troops couldn't get out of their camp in Mogadishu until a U.S.-led intervention force rescued them, followed a year later by the UN abandoning the entire mission; the genocide in Rwanda while the Security Council actually debated the definition of genocide; the murder of UN civilian staff in East Timor before the UN asked Australia to intervene and save the day; the pathetic UN initial response in Sierra Leone that had to be rescued by the British; and to cap it all off the imposing of counter-productive sanctions on Iraq and, if recent revelations prove to be true, corrupt UN management of the related "food for oil program."

The record was so bad that the Secretary General initiated a study to determine what went wrong and what should be done to avoid such failures in the future. The resulting Brahimi report concluded that the UN must ensure the following: adequately fund and man each mission before deploying it, prepare for worst- not best-case scenarios, tell the Security Council everything it needs to know, issue clear mandates, and finally, develop a rapid reaction force. All good recommendations in a large, costly, academic report that has changed nothing and is gathering dust under the shadow of the veto.

Yet another internal study laid the blame for the disasters of the Balkans and Rwanda at the feet of the UN. Koffi Annan apologized when in fact the apology should have been issued by the real guilty party—the Security Council. Mind you, the text of any apology would have been vetoed by one or more council members and would never have seen the light of day.

I dislike admitting it, but when it comes to the use of force to stop conflict and the killing it is not the moral issues that spur us to action, no matter how graphic the pictures on the 6 o'clock news. Nations, particularly the Perm 5, are motivated by national self-interests; it's that simple. The U.S. involvement in the Balkans is a good example. The U.S., wisely in my opinion, avoided involvement in the Balkans—until the conflict became an election issue during the Bush Sr. vs Bill Clinton 1992 presidential campaign. Bush was against U.S. intervention, Clinton was for it; Clinton won. "We are in for six months," he said. Twelve years later the U.S. is still there.

It's impossible to address the subject of this talk without mentioning the continuing controversy regarding last year's war in Iraq. Those that argued—as Canada did—that everyone should have waited until the Chief Weapons Inspector made his umpteenth "final report" before expecting the Security Council to authorize the use of force were conveniently ignoring the Security Council's track record for the previous 13 years. There would have been no resolution authorizing the use of force no matter what Hans Blix's report concluded. It was not in the national self-interests of at least two of the Perm 5 members to authorize such force and they would have exercised their veto. On the other hand it was in the national self-interest of the U.S. to intervene.

I'm a 1983 alumnus of the U.S. Army War College, a sort of post-graduate one-year course to prepare general officers for senior command. One of the sacrosanct principles stressed throughout the year states that you never change your objective once you commit to war. In Canada's military we call it, "Selection and maintenance of the aim." Initially, the U.S. leadership said the objective was all about, "removing links with terrorism" and when that didn't stick with the public it morphed to "removing weapons of mass destruction" which quickly morphed to "regime change" which also didn't have legs, so the spin went back to removing weapons of mass destruction. By this time the public was to put it gently, confused.

Fortunately, I committed myself to paper early in the process and penned a piece, "Doesn't genocide count?" My argument was that we didn't need weapons of mass destruction or links with terrorists to justify intervention considering that Saddam had exterminated at least 500,000 of his own people since the end of Gulf War One. That fact combined with the whispered but obvious strategic importance of the country—and the region—to the world's economy added up to intervention.

What I find somewhat curious is the fact, that at the lowest point of the Security Council's credibility in the 59 years of its existence, Canada—at least the prime minister of the day because there was no parliamentary debate—abandoned our historical allies and said, "We will follow the Security Council's lead on this." In other words, we will subordinate our sovereignty to a dysfunctional international committee in Manhattan. This decision from the same prime minister who a few short months later addressed the UN's general assembly and in a brilliant speech called upon nations to intervene with military force as a last resort if a state's government was abusing or not protecting all of its citizens! Talk about short-term memory loss. What did he think Saddam was doing?

Having said all this you might erroneously deduce that I'm not a staunch supporter of the UN. In truth, I am because there is so much more to the UN today than there was in 1945 and these newer agencies do some brilliant work, many of them with Canadian leadership and influence. I'm an unabashed fan of the United Nations International Children's Fund (UNICEF). It shared space in my Sarajevo headquarters and I've watched it alleviate the suffering of children while operating on a shoestring budget. I've also worked with the United Nations High Commissioner for Refugees (UNHCR) and have seen its challenges increase exponentially since the end of the Cold War. I'm the national patron of the Canadian arm of International Community for the Relief of Starvation and Suffering (ICROSS), an Irish charity that sends medications to East Africa where the AIDS infection rate in some villages is over 80 per cent. I see the World Health

Organization (WHO) working there—even if Mel has never heard of them—and our own brilliant Stephen Lewis putting a human face on this tragedy, The International Criminal Court, with which I have some problems, nevertheless puts war criminals where they belong. My old friend Sergio de Mello, the UN's Human Rights Ambassador was recently killed in Baghdad and Louise Arbour will take over from him. Louise Frechette whom I knew as our Deputy Minister of the Defence Department is the UN's Deputy Secretary-General.

So it's important to be precise when criticizing the UN. The executive branch and its agencies led by the world's senior civil servant Kofi Annan do some outstanding work. Millions of people's lives are improved as a direct result of their efforts.

On the other hand, the Security Council's record disqualifies it from touching important issues of international peace and security with a 10-foot pole. As a debating society where all members are not equal it is an expensive and high profile embarrassment. It will never reform because the 1945-designated Perm 5 countries will never relinquish their closely held veto rights.

Yet, there are those that continue to suggest that the UN should "take-over" from the U.S. in Iraq. They fail to realize that UN civilian staff cannot be ordered to go anywhere—they have to volunteer—and they have a nasty habit of pulling out at the first sign of violence. When I visited Somalia in 1993 while hosting a documentary on the UN, I asked the UN head of mission why the UN agencies had all left until the U.S. showed up and stabilized the situation. He replied, "We didn't join the UN to get killed!" Yet the private non-governmental organizations (NGOs) stayed. Last year, after the first attack on their UN headquarters in Iraq, the UN left and is only now thinking of going back; the private NGOs stayed. Lets face it. If I was an Iraqi insurgent who was against any new UN presence in Iraq, I'd immediately kill or kidnap a few UN staff on their return to Baghdad knowing the rest would soon leave.

On November 12, 1989, when the U.S. public woke up to the sound of the Berlin wall coming down and along with it the end of the Cold War, it was a bit like a dog chasing a bus; it's really fun for the dog until he catches it and has to do something with it. The U.S. had been leading the battle to win the Cold War and then, overnight, thanks to President Regan's imaginary Star Wars and President Gorbachev's vision, the U.S. was the last superpower still standing. And so, not because the U.S. wanted the job, but because the UN Security Council has demonstrated over and over an inability to deal with serious security issues, the U.S. gets the sheriff's badge with all the costs in blood and coin. Some people might not like that development but I'm suggesting reality, not wishful thinking.

Mind you, in the future I see a multitude of multinational organizations that have U.S. participation being intimately involved in security issues and not always with U.S. leadership or presence on the ground. Some examples—NATO (North Atlantic Treaty Organization) with Turkish leadership, a good option in my mind for Iraq, OAS (Organization of American States), OSCE (Organization for Security and Co-operation in Europe), CANUKUS (Tripartite Agreement between Canada, U.S. and UK), G8 and the G20 at the president/prime minister level as suggested by Prime Minister Martin—could all take on transnational and regional security challenges. Did you notice? Canada is a member of each of those organizations and those memberships come with obligations; obligations that we can no longer fulfill in accordance with our potential. It's one thing to say NO to Canadian participation on a particular mission because we believe it is not in our national self-interest to say YES. That is our sovereign right, but it's an entirely different matter to be forced to say NO because we don't have the capacity to participate and therefore can't say YES.

There is a long overdue foreign and defence policy review underway right now. I can only pray that the review will clearly identify our national vital interests, as they are what should dictate our foreign policy and how we structure and equip our military. My top two—and I'm pleased to be in very good company here because I have heard Michael Ignatieff emphasize the same two—are:

Number one: securing the nation not only at home but also abroad, where major threats normally fester prior to export to our shores. (Sometimes with Canadian taxpayers picking up the tab and no, I'm not talking about the Khdar family—yet! I'm referring to the tax-exempt "charities" that raise monies for terrorist groups right here under our noses). That means making a creditable contribution to our own defence, relevant to our capacity to do so, and thereby contributing to the defence of North America. It also means having an expeditionary capability, which we gave up in the early '60s. That means having a light, lethal 800 to 1,000 man unit—no Internet cafes; no exercise machines; you fight with what you can carry on your back—deliverable by air—and an equal sized unit at sea on Canadian ships ready to intervene on order. The remainder of the 4,000 to 5,000 souls comprising our rapid reaction force would be deliverable by sea as follow-up reinforcements. No more hitchhiking rides around the world and requesting help when we get there, thank you very much!

Number two vital national interest: maintaining close—not subservient or belligerent—relations with the U.S. How do we make a major step in that direction? Implement vital interest number one! We are the only country in the world that can turn living next door to the world's sole remaining super-power into a problem. The other 189 countries in the UN would kill to be in our position. Mind you, I'm not surprised by our attitude. Back in the late '90s when we were voted the number-one nation in which to live, the first thing we did was apologize! Six years ago Japan was number one and we were number two. The following year we were one and Japan was two. A fellow Canadian said to me, "You have to watch those Japanese; they stole our second place!"

I honestly believe that as a nation your obligations to those less fortunate than yourself are proportional to your blessings at home. That being the case, we have, with all our warts, a big bill to pay. Parts of our bill will be settled through the good offices of the UN but those dealing with peace and security and the application of force will be more effectively and efficiently dealt with through our participation in multi-national organizations led by the new sheriff in town—the U.S. Like it or not, that's the reality of the world we live in and it's important that we earn a say in the decision making by recreating Canada's capacity to live up to those obligations.

The appreciation of the meeting was expressed by Tim Reid, President, Strategic Investor Relations and Director, The Empire Club of Canada.

The Hon. Barnett Danson, PC, OC, Consultant, Former Defence Minister and Honorary Director, The Empire Club of Canada and Major General (Ret'd). Reginald W. Lewis, CMM, CM, CD, Past President, The Empire Club of Canada.

April 15, 2004

The Hon. Dwight Duncan

Minister of Energy, Province of Ontario

CHOOSING WHAT WORKS FOR A CHANGE

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

George L. Cooke, President and Chief Executive Officer, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada; Michael Adams, Student, Parkdale Collegiate Institute; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Jake Epp, Interim Chair, Ontario Power Generation; Rita Burak, Chair, Hydro One; Howard I. Wetston, Chair, Ontario Energy Board; Dr. Bryne Purchase, Deputy Minister of Energy, Province of Ontario; John A. Campion, Partner, Fasken Martineau DuMoulin and Past President, The Empire Club of Canada; Donna Cansfield, MPP, Parliamentary Assistant to the Minister of Energy and Member of Provincial Parliament, Etobicoke; David Goulding, President, IMO; and Rebecca MacDonald, Chair and Chief Executive Officer, Energy Savings Income Fund.

Introduction by John Koopman

In 1879 Thomas Edison stunned the Americas when he invented the light bulb. However, he needed a reliable power source if his light bulb was ever going to make any money. So as he refined his light bulb, he also sought a way to generate and transmit the electricity his bulb would need.

In 1882, in lower Manhattan he opened his Pearl Street generating station. The station had one small generator and produced enough electricity for about 800 light bulbs.

The industry's early days were chaotic and uncertain; different companies supplied electricity for different needs. One company sold street illumination, another residential lighting, and yet another streetcar service. These fledging independently operated utilities competed with one another and were incompatible using different equipment, voltages and frequencies. Most utilities gave away light bulbs and electric irons in order to encourage electricity use.

Alternating current (AC) fought direct current (DC) power for market domination. Edison had established a DC service. His great rival George Westinghouse had marketed AC technology.

The otherwise great Edison started a smear campaign, arguing that AC technology was unsafe to use. In one public experiment Edison set up a 1,000-volt Westinghouse generator and executed a dozen animals, showing just how dangerous AC current was.

In June 1888 the State of New York established electrocution as the state's method of execution. A committee had to decide if it would be a DC chair (supplied by Edison power) or an AC chair (supplied by Westinghouse power). Edison wanting to show the danger of AC power vigorously lobbied for the use of Westinghouse AC power for the electric chair. Edison believed the electric chair would rather tangibly show the danger of AC power and make consumers unlikely to want the same type of electrical service in their homes.

Edison won the battle and the first electric chair used Westinghouse's AC power. Westinghouse protested vehemently and refused to sell an AC generator to the New York State prison authorities. George Westinghouse even funded appeals for the first few sad souls who were sentenced to death by electrocution. It was for naught. At 06:30 a.m. on August 6, 1890, William Kemmler was executed by AC current. There is speculation Edison bribed a journalist; that morning's paper carried the headline: "Kemmler Westinghoused." For several decades thereafter death by electric chair was called being "Westinghoused."

In energyland Ontario, whether it is electric deregulation proposals, or taxpayers who will in the end have to pay the massive stranded debt, or senior energy company executives, much has been Westinghoused.

Mr. Duncan's challenge is to find a positive productive way forward for the industry, energy users, and taxpayers.

The Hon. Dwight Duncan was first elected to the Ontario legislature in June 1995. He is currently Government House Leader, Chair of Cabinet and Minister of Energy.

The Minister served on Windsor City Council from 1988 to 1994. He also served on the staffs of former deputy prime minister the Hon. Herb Gray and former Ontario labour minister Bill Wrye. Minister Duncan has degrees in Economics and Commerce, as well as a Master of Business Administration (MBA).

Dwight Duncan

Thank you, John, for that kind introduction.

I must confess that I am a bit overwhelmed by the size and composition of the crowd. Recognizing the perilous nature of my responsibilities, I am reminded of something Churchill once said. When one of his friends asked, "Aren't you impressed to see so many people gather to hear you speak?" he replied, "No—because 10 times as many would come to see me hanged."

Today, I will outline a plan for the electricity sector that will encourage the development of a new reliable supply, promote a culture of conservation, lessen the environmental footprint of our undertakings, produce stable prices for small consumers, afford large consumers the benefits of a competitive market, and enhance Ontario's competitiveness in electricity pricing.

Beyond all else, we will create stability in a sector that has been rocked too often. This plan recognizes the need to create a climate that welcomes private investment, but understands that for a sector to flourish, small consumers must embrace it.

Finally, the plan I will outline recognizes that ratepayers must pay the true cost of the electricity they consume. Price caps, which have been in place for much of the last decade, must end. They didn't work in California, and they haven't worked here. We are dangerously close to an unforgiving precipice, which threatens to undermine Ontario's continued prosperity.

Our policy will not be bound by ideology, but rather by what works. Our reforms will chart a new direction in Ontario's history by establishing the foundation for our energy future.

Albert Einstein once said that "we have to divide up our time between our politics and our equations…our equations are far more important, for politics are only a matter of present concern."

Well here's one equation that desperately needs solving.

Ontario now has about 30,500 megawatts of generation capacity. Between now and 2020, factoring in the growth of our economy, approximately 25,000 megawatts of our electricity capacity needs to be replaced. There is a matrix of possible solutions and problems. Risk can be measured exponentially if the wrong choices are made. You don't have to be an Einstein to see that the arithmetic in this equation is complicated.

For more than a generation, our electricity sector has been buffeted between extremes, and fraught with reversals, indecision, and malaise. Successive governments seemed to follow Yogi Berra's famous advice that "when you come to a fork in the road…take it."

No more extremes.

No more reversals.

No more indecision.

No more malaise.

Before I move on to the direction we've chosen, let me tell you what we've rejected.

We looked at the old Ontario Hydro model, but that put us $38 billion in debt. Some want to move back to that model. I've rejected it. I want to move forward.

We've looked at moving to a fully competitive market, but couldn't find one that worked anywhere.

We studied other jurisdictions to benchmark best practices. But you know what? There is no "right" way.

So we've chosen what we think is the best way—a balanced approach; an approach that recognizes the balance between conservation and adequate supply; an approach that recognizes the need to balance public leadership with private investment; an approach that will outlive this minister and this government; an approach that will begin to make up for over a decade lost in Ontario's electricity sector.

We have acted decisively already:

- We've replaced the previous government's 4.3-cent price cap. In doing so, we have signalled that prices should be set by an independent regulator, not by politicians.
- We've demonstrated that we are serious about conservation. We will cut overall demand, and the government will cut its own consumption, so that we can lead by example. We're going to be a world leader in conservation.
- We remain committed to replacing coal-fired electricity generation in the province. In so doing, we will never put Ontario consumers in jeopardy, and will be totally satisfied that adequate alternatives are in place before we replace coal.
- We've announced that we will be seeking proposals for 2,500 megawatts of new electricity capacity through either generation or demand-side management initiatives. We're the first government in Ontario's history to put demand management on an equal footing with generation, and we expect the call for proposals to be ready in the next few weeks.
- We've also announced that we would be seeking proposals for 300 megawatts of renewable generation, which will help us meet our target of 1,350 megawatts of new renewables by 2007. This is just a first step in what will be an extremely important part of our energy future. We expect to initiate this

> call for proposals as early as next week. Again, we intend to be a world leader in the use of renewable energy.

We have moved quickly, boldly and prudently to stabilize Ontario's electricity sector.

As with the electricity grid itself, which precisely balances supply and demand, reforms to the electricity sector must be a matter of finding the right balance between our goals. Balance between the need for prices that reflect the true cost of electricity, and consumers' need for affordable and predictable prices. Balance between the need for private investment in supply, and the recognition that electricity is a fundamental public need. And balance, I would remind you, lies in the centre, not in extremes.

And so, in June, we will be introducing legislation for sweeping institutional reform that would see a combination of a fully regulated and a competitive electricity sector. There would be a split between regulated prices for electricity coming from major nuclear and baseload hydro generation assets, and a healthy, competitive market for all other generation. This combination of pricing mechanisms would result in a blended cost for consumers.

Ontario Power Generation's nuclear and baseload hydroelectric assets would be regulated by the Ontario Energy Board, that would set regulated prices, while the wholesale price for other electricity generated in the province would be set by the market, which would continue to operate as it does now.

Fixed prices for a large part of the energy consumed in the province would keep the overall blended price for electricity relatively stable.

One of the biggest challenges the McGuinty government faces is balancing the needs of small- and large-volume electricity consumers.

Residential and small business consumers make up the vast majority of ratepayers in the province, but consume only 50 per cent of Ontario's electricity. Their priority is stability. My constituents in Windsor neither know nor likely care about the subtleties of electricity markets. But they do know that they want a price for electricity that they can depend on, and they deserve no less.

There are far fewer large-volume consumers—many of you in this room represent companies that fall into this category—but they consume the other 50 per cent of electricity in the province. Their priority is flexibility, so they can organize themselves to be as competitive as possible.

It is crucial to the McGuinty government that our reforms meet the needs of both groups of consumers in Ontario.

To that end, residential and small business consumers in Ontario would be offered a standard rate plan. Not a price, a plan. It would be adjusted periodically to ensure people pay the true cost of electricity over time, but the plan would remain stable over the course of each year. The Ontario Energy Board would approve the plan, and guarantee public input and fairness.

It would also ensure that consumers can take advantage of time-of-use rates so that they would have the opportunity and incentive to shift consumption from periods of high demand and prices to periods of lower demand and prices.

Consumers and small businesses that do not wish to participate in the regulated rate plan would be free to purchase their electricity from energy retailers or directly through the market.

Our aim is not to limit options, but in fact to improve them. No one will be forced to put up with the gross instability of the market, but at the same time, the annual rate-plan option would not be forced on people interested in taking advantage of other opportunities.

Medium and large businesses will continue to have flexibility. Large consumers would continue to have all of the options afforded to them by the market. This flexibility includes having the opportunity and information to pursue co-generation or distributed generation opportunities.

Distributed generation, which is also attractive from a security perspective, holds significant promise for the environment, as it suggests an electricity system that minimizes massive transmission networks, and focuses resources only where they are absolutely necessary. Our desire is to help Ontarians unlock the potential for efficient electricity generation that is around them, and we will remove barriers, free up resources and bring new thinking and new ideas to the challenges that lie before us.

Our next actions are focused on ensuring long-term supply adequacy in the province.

Given the long lead times required to bring new capacity on-line, and the need to create stability in the electricity sector, we need to reorganize our institutions in order to ensure efficient management of the sector over the long term, and to attract new investment to Ontario.

Changing the way electricity is priced is simply not enough.

Our model includes a strong public leadership role, clear accountability, and a co-ordinated approach to addressing the growing gap between electricity supply and demand.

We estimate that in order to meet the looming supply-demand gap, an investment of $25–40 billion will likely be required to keep the lights on over the next 15 years. This is one of the largest peace-time investments in Canadian history.

To that end, we propose to establish a new independent body called the Ontario Power Authority. It is our intent to have this new institution in place and operational by early next year.

The Power Authority would have the obligation to ensure long-term supply adequacy in Ontario, so that never again will we find ourselves in the predicament we're in today.

It would forecast resource needs, and prepare an integrated system plan for conservation, generation and transmission. Everyone would know what generation we need, and where it's necessary. Moreover, if transmission might provide the solution to a supply problem, then a single authority would be responsible for making that determination.

However, if this information and transparency is not enough to drive the private sector to invest in Ontario, then the Power Authority would have the responsibility and tools to call on the private sector to build new generation capacity or deliver additional demand management. A competitive and transparent procurement process would foster innovation and creative approaches to meeting our supply needs.

The continued existence of the market is a crucial incentive for private investors to enter Ontario and support the construction of the thousands of megawatts of electricity generators that we need to build over the next 15 years. It's important that private-sector investments made in Ontario's power supply be encouraged.

The recent turmoil in our electricity market has shaken investor confidence. We must send a clear and unambiguous message that Ontario is a good place to invest, and that politics will not impair the private sector's ability to earn a fair return on their investment.

In other words, the requests for proposals our government has announced for 2,500 megawatts of new capacity or demand management initiatives and 300 megawatts of renewables would be just the first of many future opportunities for the private sector to help us close the looming gap between supply and demand in the province.

Ladies and gentlemen, Ontario's electricity sector will become a great place in which to invest and earn a fair return.

Having a fully functioning electricity sector is not only about generating raw power. The government must also be concerned with conservation, the use of renewable energy and the security and diversity of the electricity supply in Ontario.

Therefore, explicit directive power would be given to the Ministry of Energy with respect to targets for conservation, the use of renewable energy, and the overall supply mix of electricity in the province. The Ontario Power Authority would be charged with achieving these and other targets set by the government, and would include them in its system planning.

Our plan will help build a conservation culture, which the McGuinty government believes is a cornerstone of Ontario's long-term energy future.

A megawatt saved is every bit as good as a megawatt built.

Therefore, a new Conservation Secretariat, headed by a Chief Conservation Officer, would be established as part of the Ontario Power Authority. The Conservation Secretariat would lead Ontario's efforts to engage and empower consumers across the province, and would develop province-wide programs that provide real incentives for Ontario's homes and businesses to conserve, and to save money. It would also monitor the progress we are making.

Our sector reforms would also support conservation at the local level. The Ontario Energy Board would also establish a framework to help local distribution companies (LDCs) deliver energy conservation programs as appropriate. The current disincentives for local distribution companies would be removed, and LDCs would benefit from empowering their customers to conserve electricity and making their own systems more efficient.

We believe that LDCs can and should be agents of change at the local level to promote conservation. LDCs are extremely well placed to encourage conservation and energy efficiency in the communities they serve, and we will need all their expertise, ingenuity and leadership to help build that conservation culture in Ontario.

It should be clear to everyone that our government doesn't see conservation as a flash in the pan, or a fad of the moment; we see it as a real opportunity to help Ontarians prosper, and as a valuable strategy to enhance the competitiveness of our province.

The Premier and I had the opportunity to review this speech earlier. As he informed me that he would do the speech outlining our conservation initiatives, I was reminded of Margaret Thatcher's famous missive that "I don't mind how much my ministers talk, as long as they do what I say."

Seriously though, Premier McGuinty has made the rebuilding of our electricity sector and conservation cornerstones of his government's agenda. He believes strongly, as I do, that our success in this endeavour will be an important component of this province's future economic development.

Do not underestimate his determination to fix these problems, fix them right, and fix them fast.

The changes I have just described would be a major step forward in delivering his government's vision of the electricity sector.

However, this is no easy undertaking. In addition to the legislation we will introduce, there will be many complex and technical regulations that will need careful and thorough attention.

Accordingly, the legislation I will be introducing in June will be sent to Committee for full study and evaluation over the summer, and we are hopeful that it will receive passage this fall.

We will address transmission and distribution issues over the next 12 months. Without a thorough examination of the network side of our electricity infrastructure, it will be impossible to bring about the changes that are needed to develop a safe, secure supply for Ontarians.

The composition of that supply will be the subject of an announcement later this year. In it, we will lay out the government's view of where our supply will come from.

The last piece of this complex puzzle is the future of Ontario Power Generation.

As the custodian of over 70 per cent of the province's existing generation capacity, the government must set the course and direction for OPG. We recognize the mismanagement that the company has suffered over the past five years, and we intend to set it right.

Today, I'm pleased to announce that Jake Epp, who has been interim chair of OPG has agreed to become its permanent chair. Jake has done an outstanding job, and has brought wisdom, insight, and unshakeable calm to a role that very few others would have accepted. He has the utmost confidence of the McGuinty government, and we thank him for working so tirelessly over the past several months.

At the same time, we are immediately commencing a search for nine new members of OPG's Board of Directors. Within the next few weeks I will begin to announce these appointments. It is our intention to depoliticize the Board of Directors of this corporation. It is our intention to find directors who have expertise in corporate restructuring, change management and yes, running nuclear operations. Their job, along with the shareholder, will be to set the future direction of the company, to make recommendations and decisions about its structure and its future, and to get the old 800-pound gorilla off your backs.

Today I'm also announcing that we are immediately beginning the search for a new CEO. Before I give you more details, I want to take a moment to thank Richard Discerni, who stepped into this position at probably one of the lowest moments in both OPG and Ontario Hydro's history. He has served in this capacity as he has served in other public capacities with great integrity, sound judgment and always with the interest of the province at heart. We are grateful for his help to date.

The process for selecting a new CEO and board will be open and transparent. The days of untendered contracts rewarded to political friends are over. Today marks the beginning of a new era of corporate responsibility at OPG.

The government, with the board, will develop a new Shareholder's Agreement, which will make explicit its performance expectations for OPG, and better define the relationship between the government and the company. We will make this public as soon as it is prepared and the new board is fully in place.

Just as we're taking the politics out of electricity pricing, we're taking the politics out of OPG.

There is no question that getting OPG back on the rails will not be an easy task. There are big decisions to make, and we're making them.

As does every other aspect of life, public policy involves many variables, some probabilities, and very few certainties. But this we know for certain: all else remaining constant, if Ontario's electricity system were left on the course it has been following, it would cease to serve us, cease to power our economy, and cease to be the great enabler it has been for a century. That's a certainty neither you nor I nor anyone in this province can live with.

We know we will need the ongoing benefit of the ideas, expertise and dedication of those in the electricity sector to meet the challenges that face us.

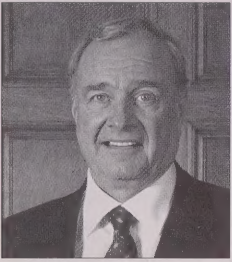
If we work together, we can build an Ontario that has an electricity supply that is the envy of our competitors and a magnet for investors. We can build an Ontario where consumers have both the stability they want and the reliability they demand and deserve. We can build an Ontario where the energy that comes through the wires stimulates the energy that makes us great, the energy that stimulates our growth as an economy and a society. I'm talking about the innovation of our businesses, the success of our schools, the compassion that marks our health-care system, the cleanliness of the air we breathe and the water we drink. We can build an Ontario with a standard of living and a quality of life that's second to none.

That Ontario, my friends, as the Premier often says, is ours to deliver.

Thank you.

The appreciation of the meeting was expressed by John A. Campion, Partner, Fasken Martineau DuMoulin and Past President, The Empire Club of Canada.

The Hon. Dwight Duncan, MPP, Minister of Energy, Province of Ontario, Rebecca MacDonald, Chair and CEO, Energy Savings Income Fund, Howard I. Wetson, Chair, Ontario Energy Board and John A. Campion, Partner, Fasken Martineau DuMoulin LLP and Past President, The Empire Club of Canada.



April 16, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Rt. Hon. Paul Martin

Prime Minister of Canada

FIVE PRIORITIES FOR THE FEDERAL GOVERNMENT

Co-Chairman: **John C. Koopman**
President, The Empire Club of Canada

Co-Chairman: **Ravi Seethapathy**
President, The Canadian Club of Toronto

Head Table Guests

Charles S. Coffey, Director, The Empire Club of Canada and Children's Advocate; Gloria So, Grade 12 Student, North Toronto Collegiate Institute; Rt. Rev. Peter Mason, Retired Bishop, Diocese of Ontario, and Director of Development, Wycliffe College, University of Toronto; Frances Lankin, President and CEO, United Way and Director, The Canadian Club of Toronto; Rai Sahi, Chairman and CEO, Morguard Investments Ltd.; Michael MacMillan, Chairman and CEO, Alliance Atlantis Communications Inc. and President Elect, The Canadian Club of Toronto; Senator David Smith, Counsel, Fraser Milner Casgrain; Scott Hand, Chairman and CEO, Inco Limited; His Worship Mayor David Miller, Mayor for the City of Toronto; Nick Chambers, Manager, Benchmark Performance and Director, The Canadian Club of Toronto; Margaret McMillan, Provost, Trinity College and Author and Winner of the Governor General's Literary Award for "Paris 1919"; Sylvia Maracle, Executive Director, Ontario Federation of Indian Friendship Centres; The Hon. George

Smitherman, MPP, Minister of Health and Long-Term Care, Province of Ontario; John A. Campion, Partner, Fasken Martineau DuMoulin and Past President, The Empire Club of Canada; and The Hon. Joe Volpe, MP, Minister of Human Resources and Skills Development, Government of Canada.

Introduction by John Koopman

Politicians have been making unthinkable promises to our clubs for over a century.

Almost exactly 100 years ago, early in 1904, Prime Minister Laurier spoke to the Canadian Club. At that address Laurier made his now famous promise: "As the 19th century was that of the United States, so I think that the 20th century shall be filled by Canada."

That claim has resonated ever since, probably because at the time Laurier made the statement, it was so utterly unthinkable.

When Jacques Cartier first arrived in Canada in 1534, he said: "I am rather inclined to believe that this is the land that God gave to Cain." As the 20th century dawned, there was not a lot of reason to believe that Cartier was wrong. The economy was unstable, economic growth tepid, and we lacked even a basic industrial base. The country was coming off bitter social and cultural infighting: memories of Louis Riel and the Manitoba School Crisis were still fresh. Migration to the United States was so rampant newspapers suggested that anyone capable of travelling was leaving.

It seemed ludicrous to think that the severely politically divided and under-populated Dominion of Canada with only five million inhabitants spread across a harsh, unforgiving landscape could ever fulfill Laurier's promise, particularly when just to the south 93 million Americans still breathed "manifest destiny."

Laurier envisioned a Canada of 100 million strong and of course that has not happened yet, but the essence of Laurier's vision was realized. By the standards of most countries in the world, today, we are fabulously well off; we were not in 1904.

Almost exactly a decade ago, in March 1994, our guest, then in his capacity as Minister of Finance addressed a joint meeting of our clubs and made a couple of unthinkable promises:

First he would eliminate the federal deficit. After more or less 25 consecutive years of federal deficits this was an unthinkable promise.

He also promised to put the CPP on a sound financial footing. At that time, this was also an unthinkable promise. By 1994 most young people had lost hope that the CPP would ever contribute to their retirement.

As we all know our guest delivered on both promises.

Right Honourable Sir, all of us here hope you have some more promises in store for us today.

Ladies and gentlemen, please join me in welcoming the Prime Minister of Canada, Mr. Paul Martin, to our joint podium.

Paul Martin

Thank you very much Mr. Koopman. Thank you for that introduction. Ministers, members of Parliament and the legislature, Senator, Your Worship, members of the head table, the Right Honourable John Turner, ladies and gentlemen:

Before I begin my principal remarks let me just say that there are many politicians who have made, I can tell you, unthinkable promises but most of us as politicians are messengers of one kind or another. Occasionally, we are allowed to be messengers of great joy. I just want to tell all of you that I had an opportunity to speak to the brother of Fadi Fadel, the young Canadian who was taken hostage in Iraq, and I have been informed and he has been informed that young Mr. Fadel has now been released and he is safe and sound. I think we should all stand up and give his family and him a great round of applause.

I want to thank the sponsors for this small intimate dinner and I want to thank the Empire Club and I want to thank the Canadian Club. Perhaps I could pick up on your remarks about Sir Wilfrid Laurier because that banquet, some of you may know, was held just a few blocks from Parliament Hill. It was certainly a different time from today. The walls, I understand, were decorated with Union Jacks, the air was thick with smoke from cigars and pipes which I understand Mr. Mayor is no longer allowed. The women in attendance wore white gloves and, as you said Mr. Koopman, Sir Wilfrid Laurier was at the rostrum. The governor general stood, the leader of the opposition stood, everyone stood and applauded when the great liberal prime minister boldly declared, as you have just said, that the twentieth century would belong to Canada.

We are now 100 years removed from that night and those words but the sense of national optimism, as you have said, is no less grand in our time. We know who we are and we know what we want to do as a nation. The unity of our country is strong, we have social programs that are the envy of so many others, we are rich in cultural diversity, we have a balanced budget, a feat matched by no other nation of the G-8 and we are active in bringing peace and freedom to troubled parts of the globe. Today, Sir Wilfrid's confidence echoes in every corner of this vast land, but the world has changed.

For us to succeed in this generation it is not so much that the twenty-first century will belong to Canada, as it is Canada must belong to the twenty-first century. And this will not come to us simply for the asking. We must work for it. The world is smaller now, the challenges more pressing and the obstacles more formidable.

So what does all of this mean for us as Canadians?

I suggest to you that it means that in all of our pursuits settling for good enough is not good enough. We must push ourselves as a nation to be the very best that we can because the world will indeed challenge us.

Government is not exempt from the realities of modern times. It too must push to be the very best that it can and that's why even though we have been in office only a very short time we have brought significant change to the way that Ottawa works—change in restoring the influence of members of Parliament through free votes and an increased role in the appointment of senior officials, change in the way government monitors and controls its expenditures and change in the way that government is accountable to Canadians.

Well that's fine. This is what government must do. We identified a problem, the democratic deficit, and we took immediate action by implementing transformative change. Let me pause here for a moment. Transformative change—what does it mean? To me it means a fundamental shift in approach and direction. It is not stop-gap measures imposed incrementally. It requires a determined focus. It requires a relentless drive but the reward ultimately is tangible results, progress that you can see and engage.

Let me just pick up again on your presentation Mr. Koopman. Let me give you an example of what I mean by transformative change. Let me take you back almost a decade to where you began, back inside the Department of Finance, where work was underway on the 1995 budget. Simply put, Canada's finances were a mess. Succession of governments had for almost 30 years attempted to tackle the problem with incremental measures. The result was a government that had borrowed so much that it found itself having to answer first to its creditors and only second to the needs of its own people. Now that's when we knew it wouldn't be good enough to just reduce the deficit. We knew we would have to eliminate it and to do that we knew we would have to cast aside old approaches, old assumptions and conventional wisdom. So that's exactly what we did in the 1995 budget. It was controversial and it was tough, but in a few years it brought us a balanced budget, diminishing debt and the ability to deliver the largest tax cuts in Canadian history and, most importantly, it brought us the capacity to determine our own future and to make our own choices. As a country you said we have not looked back.

Well that was then and this is now. The challenges facing government are different today but I believe that we must adopt the same bold approach. We must be focused, we must be unyielding and we must challenge the status quo.

To that end we have determined that among the very many important responsibilities of government there are five areas in which we must proceed with particular vigour, creativity and urgency; five areas that we will pursue as overwhelming and overriding priorities. These—health care, learning, Canada's aboriginal peoples, our communities, our cities large and small, and our role in the world—are areas in which quite simply we must break new ground.

Pursuing these goals we will remain committed to fiscal prudence. This does not mean that we are helplessly constrained. By undertaking aggressive expenditure review, as we are already doing, by reallocating resources and by taking advantage of the new revenues presented by economic growth, the fact is we will be able to marshal the funds we require to bring about real progress on the issues that matter most to Canadians. Ours will be a progressive responsible approach but let me tell you as we said in '95 we will get the job done.

Any discussion of our priorities must begin with health care and I'm delighted to see Ontario's Minister of Health here today for there is no other issue of such vital and visceral significance to Canadians. Most of us have experienced anxious moments waiting in a hospital emergency room. Many have endured the uneasy wait for diagnostic tests and some have spent long nights staring hopefully at monitors in the intensive unit. Every day in our hospitals there are moments that alter the course of human lives and this is when people need their governments most.

So what do we want? We want reform that starts and ends with a mind to patients and their families. We want reform that enables doctors, nurses and other health-care professionals to be available when needed and where needed. We want reform that ensures timely access to quality services that improves health-care outcomes. Canadians want and need reform that ensures that diagnostic tests, surgery and treatments are governed by need not rationed by waiting. We need reform that makes it absolutely certain that our system of publicly funded universally available health care, a program that was introduced when many baby boomers were just becoming adults, will be there for their grandchildren and beyond.

Now of course money is part of it. The system has to be properly funded but reform does not begin with a dollar sign and end with a bunch of zeros. The federal government has already committed $37 billion in new money over the course of the next five years. This represents a better than 8-per-cent annual increase in spending, but I'm here to tell you today that we are prepared and quite willing to invest more.

But here's the reality. Canada as a nation already spends more per capita on health than the great majority of developed countries, yet our outcomes while good are not discernibly better. Guided by the work of Roy Romanow and many others who have studied the health system exhaustively and fully involving health-care professionals who are here today and who are on the front lines, Canada needs real reform that will deliver real results; results that can be measured and then reported transparently so all of us can see how well the health-care system is working and where it needs improvement. The challenge before us is to restore public confidence in the health-care system and in our ability to fix it.

Any discussion of health care runs the risk of deteriorating into generalities so let me be very specific. We must reduce wait times. Canadians need to know wherever they live how long it takes to get an MRI, how long it takes to see a doctor, how long it takes to get needed hip surgery and how quickly their child will be seen in the emergency ward. And Canadians need to know how governments will bring these wait times down. What can governments do to reduce wait times? Working with the provinces and territories we must find ways to resolve the shortage of medical providers that exists in too many parts of our country.

We must open up medical spaces in our universities, both for young Canadians seeking entry and new immigrants seeking qualification. We must determine an appropriately expanded role for nurse practitioners and other para-medical personnel and we must ensure that our diagnostic facilities are adequate and fully utilized. Working with our provincial and territorial partners, many of whom are in the process of making important steps in the road to reform, we must build on progress we made in primary-care renewal to ensure the right response by the right health-care provider. We must work together to establish a program at home in community-care services. Why? Because appropriate home care will reduce the burden on acute-care resources. We'll make better services available to Canadians which will ultimately result in a less costly and a more sustainable system. The reform plan must also include a national pharmaceutical strategy because no Canadian should suffer undue financial hardship as a result of needed drug therapy.

The implementation of these important reforms will come as part of a 10-year plan that we will seek to work out with the provinces and the territories. Let's be very clear. We are finished with year-to-year scrambles for short-term solutions. What the provinces need and what they have called for is a long-term agreement that guarantees predictable reliable funding. And what we all need is a fundamental commitment to reform.

Medicare is more than just another government program. Medicare is a statement of our values as a nation and that's why I'm looking forward to meeting with the premiers this summer, not just for lunch or dinner or over a weekend, but for as long as it takes for us to agree on a long-term plan for a health-care system that is properly funded, clearly sustainable and significantly reformed.

Let's now talk about learning and let's start by putting its importance in context. We all understand that a strong economy is the foundation on which a successful society is built. That's why we strive to reduce taxes and debt. That's why we invest in research and development. That's why we endeavour to commercialize that research and development. That's why we focus on securing trading partnerships around the world and keeping open the border with the United States. That's why sustainable development cannot only be a pious wish. That's why it has to be a fundamental pillar underlying the nature of economic growth. Most critically, that's why we have to understand that competing in the twenty-first century demands a population geared to innovation. Quite simply, Canada's educated talent pool must be among the deepest and the best available anywhere for the sake of our children and for our sake.

In some countries it is not uncommon to hear people speak of the need to restrict trade, to close borders to global competition. I suspect that every one of us in this room understands the extent to which that is clearly a flawed approach. But the truth is that for us in Canada it's not even an option. We're a nation of only 31 million people. We have no choice but to face global competition. We have no alternative but to win. This is why we have to reduce the barriers that exist to education.

It is true that we are among the world's leaders in the percentage of people who receive post-secondary education but we have got to do a lot better than that. We must address the fact for instance that we rank far below the United States in the percentage of students who achieve post-graduate degrees. The federal government has an important role to play in post-secondary education and it begins with access. We as a society cannot deprive people of the opportunity simply because their families don't have money. That's why in last month's budget we set out a number of very important measures, down payments, to address the need of affordability for those who want to go to university or college and we will continue in this vein.

But that being said, we have to broaden our horizons as well. For example we must recognize that as a nation we face a growing skill shortage and that we must start talking about the openings for our young people who apprentice in the skill trades. In short, what we have to do is to work with the provinces, colleges, the unions and the industry sector councils to find ways to enable young people to understand that education has many, many, facets. The last budget was the second-major education budget in recent years but it's only the beginning. We have to understand that a Canadian's ultimate success in post-secondary education begins in earliest childhood; in fact pre-natal to age six. Intellectual and emotional potential can be encouraged and nurtured. Literacy must be fostered early. You have to understand that those who require remedial assistance need to be identified early and later on Canadians must have access to a culture of continuous retooling, a philosophy underpinned by a series of life-long learning initiatives that over time become a way of life.

Next, Canada's aboriginal peoples represent the fastest-growing segment of our population. They make up the youngest group in our society. Aboriginal children represent an important part of our future, yet theirs is collectively a story of promises untapped and promises unfulfilled. Decades of well-intentioned government policies have been enacted to insufficient benefit. Our goal is to reverse that path. The federal government has undertaken many initiatives on health care, on housing, early childhood education, and recently on clean water, but we are dealing with problems that can't be solved simply by writing a cheque. We have to be smart enough to do things differently. Let me give you an example of what I mean.

Increasingly these days, young aboriginals are moving to our major centres in search of a job and a better life. I ask you to think of the culture shock. Think of a young person from a small and isolated reserve arriving downtown in a major city like Toronto. How could we possibly be surprised to discover that so many have trouble making the adjustment? If young aboriginals are coming to the major cities and they are in large numbers, we have got to make it possible for them to succeed. We have got to remove obstacles and create opportunities and we will. In short, if we talk about helping hope to thrive and we talk about opportunity flourishing on reserves then let's understand that this is also needed in the inner city.

To achieve measurable progress it is clear that new approaches are necessary from all sides. Government must put an end to the paternalistic approach that embodies too much of its activities and aboriginal leadership must now deliver on the principles of open and accountable government. True progress starts with a full partnership with all of the rights and also the responsibilities on both sides of that partnership and that's why I have asked aboriginal leaders from across the country to come to Ottawa this coming Monday, in three days, to sit down with me and more than 20 government ministers. This will be an important summit. Its message must be that the changes we all want to see will not be measured in rhetoric but they will be measured in meaningful improvements of quality-of-life indicators—better health care and housing—and in the essential economic indicators—more kids finishing high school, more going to university, more successful aboriginal businesses, all of which lead to more economic development and greater self-sufficiency. Quite simply we need a new beginning. Let it be this Monday.

Let me now turn to the places where we live. As a government we've already made a priority of helping communities find new sources of predictable long-term funding from our biggest cities to our smallest towns. By giving municipalities full relief from the GST we will be handing over $7 billion to them over the course of the next decade. We see this as an important beginning but it can only be the beginning. The fact is our municipalities are in the front lines of every social problem and every economic opportunity in this country. The problem is that they are working off a nineteenth-century blueprint for a twenty-first century economic reality and therefore the federal government will ask the premiers and municipal leaders to start discussions on how our cities and our towns should be provided with the resources they need. We will be talking about more innovative partnerships that would enable us to better deal with the huge infrastructure deficit the country and its municipalities confront. We will be talking to Mr. Mayor about the gas tax and we will be doing that before the end of this year.

Our major cities are the focal point around which economic, social and cultural innovation take place. As they go, so does the country and that's why we are committed to making available for the benefit of the cities and communities new sources of revenue. But there is more to it than just money. It is a coming to grips with the reality of how we as a country must organize ourselves to face the future. A community is where every government program of every level ultimately meets the citizen. When we talk about ensuring clean air and clean water, when we talk about housing for low-income families, when we talk about care for children, for senior citizens, or those with disabilities, when we talk about the need to address greenhouse gas emissions or to clean-up ground fill sites, when we talk about community-based health promotion, when we talk about immigration and our need for more people, when we talk about the need to fight racism, these are issues of great and overriding national importance and we will address them far more wisely and far more comprehensibly if the federal and the provincial governments do it hand in hand with municipal governments for these are the people who know their communities best.

When I was in Toronto with Mayor Miller two weeks ago for the transit announcement, I talked of the weight of responsibility now being born by our biggest cities. They are indeed our signatures to the world and as they succeed so do we. But today, let me mention our smaller municipalities whose problem of urban gridlock may not be as acute as yours, but whose need for economic development may well be greater. I've spoken with a lot of leaders in the smaller communities across our land in the last little while. They understand that high tech and R&D are essential to their ability to grow their economies and all of this is crucial if their children are to come home. Economic opportunities have to be created in the places where they were raised.

That's why we have to help these smaller communities address their most pressing issues by giving them the tools to help themselves. This is why we must ensure that research and development is supported in regional universities as well as in our biggest universities and why we must encourage the flow of venture capital into the economic clusters that they engender.

In summary, then, municipalities are creatures of the provinces and we respect this, but as well municipal governments large and small are real and mature players in the national give-and-take. This must be recognized in the way the federal government deals with them. The achievement of great national objectives requires that everybody be at the table. This is why we are working with the provinces to ensure that communities have a say when national decisions that affect them are taken, not only because it's in their individual interest as cities or municipalities but because it is in our collective interest as a nation.

Finally, our role in the world. Hereto Canada must belong to the twenty-first century. The government is currently undertaking a wide-ranging international policy review, the results of which will be made public later this fall. Without pre-empting its conclusions, there can be no doubt about our goal—to ensure that the Canadian perspective grows in influence on the global stage and for that to happen old habits must be broken. I ask you to turn your thoughts to the Cold War. We knew who the enemy was; we knew where the enemy lived; we could predict a front line and no conflict was ever closer to us than a full ocean away. Well this is not the world that we live in today where the unexpected is to be expected. From the regional instability of failing states to the intensification of infectious diseases, clearly we must be more vigilant close to home and we must be prepared to do more far from home. Now what does this mean?

Well I would suggest to you that it means in a world where adversaries are unpredictable and difficult to identify, that we can no longer view our security through distinct domestic continental and international lenses. In an age of indiscriminate carnage perpetrated by small terrorist cells, today's front-line stretches from the streets of Kabul to the rail-lines of Madrid and on through Manhattan to the cities across North America here in Canada. The conflict is not over there. There is no longer a major problem in the world that does not affect us. Our approach to Canada's security must reflect this altered reality. Canada's presence in Afghanistan has all the hallmarks of the new type of operation that the Canadian forces will be expected to lead. The multilateral mission—Afghanistan—is aimed at reviving a failing state for humanitarian reasons but also so as to deny it to terrorists. Elements of defence, diplomacy and development are woven tightly together in the fabric of the Afghan mission. This will serve, I'm sure, as a model for Canada's involvement in international crises of the future. We want to be people who help secure and keep the peace in troubled nations so we will design and fund a military that is capable of doing that job. We want to be a nation that's involved in institution building and this is why we're creating the Canada corp to marshal Canadian skills combined with the energy and idealism of our young people to help nurture democracy and the rule of law in fragile states.

Our strategy to raise Canada's voice in the world is premised on the plain fact of growing global interdependence. That's why we must think beyond the G-8. It's why we must include as full partners in the dialogue such emerging powers as China, India and Brazil. There can be no solutions for tomorrow's challenges of environmental sustainability, liberalized trade, financial stability and peace and security unless these nations are at the table. This is why the Government of Canada has been advocating for a leaders' G-20 to build on the success of the group of 20 finance ministers that was established in the wake of the Asian financial crisis.

At the same time, we are determined to maintain and advance our most important association—the one we share with the United States. Because it is so central to our respective interests, we must develop the more sophisticated relationship based on informed dialogue, shared values and respect for our differences. All politics is local. The United States is no different from any other democracy. For example, it is U.S. regional interests in Congress that have led to the stalemate over BSE and softwood lumber. That's why we are establishing a new secretariat in Washington, one that I will open when I meet with President Bush at the end of the month; a secretariat that will facilitate invaluable contact between elected representatives in our two countries helping to forge closer ties among federal and provincial members of Parliament and their congressional counterparts.

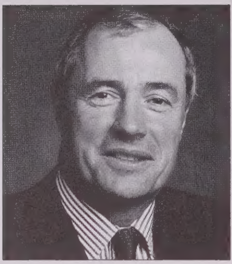
Canada is a sovereign independent nation. We are envied. We are ambitious and we are resolute. We are confident of our place in North America and in the world. We are cognizant of the benefits of multilateralism, of the need for reform of many of the great international institutions, including the United Nations. We are cognizant that for too many people the benefits of globalization are a myth seen through eyes closed by disease, by famine, by war. We are cognizant that we can make a difference. We are cognizant that Canada will make a difference for there can be no greater manifestation of our sovereignty than to seek to leave the world in a better place than we found it.

These are our priorities. In some of the five areas that I have just mentioned, the provinces have the primary jurisdiction and we respect that. Some may see this as a reason to downscale our efforts. We on the other hand see it as an opportunity to foster a new co-operative relationship to prove to Canadians that their governments share the goal of achieving real progress on the issues that matter most; to prove to Canadians that their governments understand that the Canada of the future is being formed by the actions and the priorities of governments today.

When Wilfrid Laurier stood before the nation in 1904, he could not have known the success that Canada would achieve in the century to come. He could not have known the progress it would realize nor the valour as a nation we would demonstrate. But he was a man of great vision and he embodied the progressive beliefs that have been integral to our national accomplishments. "I'm a Liberal," he said, early in his political career. "I'm one of those who think that everywhere in human things there are abuses to be reformed, new horizons to be opened up and new forces to be developed." Laurier knew as we do today that new horizons are not opened up overnight; the realization of our goals lies ahead. But the vision is now. A nation able to meet the challenges of an uncertain time. A people who follow a path of change to ever strengthen nationhood. Thank you.

The appreciation of the meeting was expressed by Ravi Seethapathy, President, The Canadian Club of Toronto and Chairman, Engineers Without Borders.

John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada, The Rt. Hon. Paul Martin, Prime Minister of Canada and Ravi Seethapathy, President, The Canadian Club of Toronto and Chairman, Engineers Without Borders.



April 22, 2004

Courtney Pratt

President and CEO, Stelco Inc.

THE CHANGING STEEL INDUSTRY AND STELCO'S PROSPECTS

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Ben Crocker, Grade 12 Student, North Toronto Collegiate Institute; Rev. Canon Kimberley Beard, BA, BEd, M.Div, Rector, Christ Church, Brampton and Director, The Empire Club of Canada; Richard Fahey, Vice-President, Quebec, Canadian Federation of Independent Business; His Worship Mayor Larry Di Ianni, Mayor, City of Hamilton; Catherine S. Swift, President and CEO and Chair of the Board, Canadian Federation of Independent Business and Director, The Empire Club of Canada; Wayne K. Bassett, President and CEO, Samuel, Son & Company Ltd.; and Blair Cowper-Smith, Senior Partner, McCarthy Tetrault LLP, Corporate Secretary and Special Counsel, Stelco Inc.

Introduction by John Koopman

The history of iron is as old as the history of recorded time. Genesis 4:22 speaks of the appropriately named Tubalcain who was an instructor of forgers of brass and iron instruments.

A Hebrew legend says that when the temple in Jerusalem was completed Solomon invited the temple's artisans to a feast: the stonecutters, the goldsmiths, the silversmiths and the carpenters. At the seat of honour, at Solomon's right hand, sat an ironworker. The other artisans filed the Judaic equivalent of a grievance and Solomon responded that the iron worker deserved the seat of honour. He had made the tools that all the other artisans had used.

The ancients considered iron a precious metal. As Alexander the Great's legions marched east, he ordered his generals to seize any iron found. Plinius writes that Romans considered iron more valuable than silver.

Warriors (and Rudyard Kipling) always understood the power of iron.

Gold is for the mistress—silver for the maid—
Copper for the craftsman cunning at his trade.
"Good!" said the Baron, sitting in his hall,
"But Iron—Cold Iron—is master of them all."

It is uncanny how often iron and steel have played a role in history's key inflection points.

Iron guns and armour allowed Francisco Pizarro's 200 Spaniards to defeat an Inca army 100 times its size.

In 1750 Britain passed the Iron Act, which forbade building mills in the colonies. This was the first of the Trade and Navigation Acts that ultimately sparked the American Revolution. The same act applied to Canada, but we did not seem to mind.

Ironically it was also iron that saved the revolution in the uprising's darkest days. In the winter of 1777 George Washington retired with his exhausted, ill-equipped troops not to Valley Forge but to the "Valley of the Forges"—and at these forges the insurrectionist Washington refurbished his armaments.

Good steel policy was at the origin of the European Union which was founded in 1951 as the European Coal and Steel Community. Its purpose was to pool the steel resources of the member states, which the union's founders believed, correctly it seems, would prevent another European war.

Bad steel policy resulted in the 1930 U.S. Smoot-Hawley Act, which raised U.S. tariffs on iron and steel to 60 per cent. One thousand economists signed a letter pleading with then-President Hoover not to sign Smoot-Hawley but Hoover ignored their advice. Smoot-Hawley set off rounds of retaliation from other nations that savaged world trade and dramatically exacerbated the Great Depression.

The United States considers steel-production capacity a critical part of homeland security and this has some implications for the mills of the rest of the world. Today's global steel industry is in a state of flux and the situation at Stelco today is a reflection of that.

If history is any guide, we can be sure that the state of Canada's steel industry is of national concern.

Our guest today is the President and Chief Executive Officer of Stelco. Mr. Pratt's career started as a high school teacher in Montreal, he spent nearly a decade consulting with the former Touche Ross and he is also a former president and chairman of Noranda Mines.

Courtney Pratt

Thank you and good afternoon. For more than a century the Empire Club has been a platform of record for the discussion of economic, social, political, and other issues. Stelco, only seven years younger than the Empire Club, has been witness to many of the same ebbs and flows of history. And, as in the case of Canada itself, recent years have brought more profound change to the steel industry, and to Stelco, than just about any other period.

During the next few minutes I'd like to share my own observations about the nature and consequences for Canadians of these changes in the steel industry around the world, across North America and just down the lakeshore at Stelco itself. In so doing, I hope to leave you with several inter-related thoughts.

First, this supposedly "old-economy" industry is right at the heart of the "new-economy" paradigm shift that is changing the world in which Canada competes.

Second, and as a result of these global developments, the North American steel industry is undergoing the most profound transformation in its history.

And third, Stelco itself can emerge from this process and from its own current restructuring as a viable and successful steel producer if all parties want it to happen.

In recent years, to paraphrase the comedian Rodney Dangerfield, steel has received little respect. It has been portrayed as a relic of the past, an old smoke-stack industry in a young dotcom age, and somehow more of a drag on, than a contributor to, a modern economy.

Well, let's dispel those notions at the outset. The steel industry remains indispensable because it is essential to the world's automotive, construction, transportation, appliance, machinery, and other industries. It is a major part of the Canadian economy, representing $11 billion a year in sales and 150,000 direct and indirect jobs. Steel is also innovative because, thanks to extensive R&D investments, more than half of today's steel products didn't even exist a decade ago. And it is environmentally responsible. Steel is the world's most recycled product. It has a recycling rate that is higher than aluminum, paper, plastic and glass combined. On top of that, producing a ton of steel in Canada results in 80-per-cent less air, water and solid waste emissions than it did only 10 years ago.

The size, importance and vitality of the steel industry only increase when we look to the world stage. Steel is a $500-billion global industry, second only to oil in the commodity sector. Worldwide use of steel products is increasing at a healthy average rate each year, faster in developing countries. And the volume of international steel trade has increased by four times during the past 50 years.

With all that, the pace of growth and change is still increasing. Steel industry veterans say they've never seen anything like the trends of recent years. But then again, no one has ever seen the explosive economic growth we're seeing in a number of developing countries, including China in particular. These developments are transforming the steel industry from a regional business into a truly global marketplace in which events in one area have significant consequences for others.

Much has been made of China's massive economic liberalization, industrialization and the impact these developments are having on the entire world. As the journal Foreign Affairs has noted, China's emergence as a major trading nation is transforming world markets. Many observers have labelled China the world's workshop, but for today's purpose it can be labelled the world's steel mill as well. The numbers alone are staggering. China is the world's largest steel producer, accounting for nearly one-third of global output. It's the fastest-growing producer as well. The capacity it is adding each year is equivalent to Canada's entire annual production. And it is building the equivalent of four Stelcos each and every year.

But China isn't just producing steel at a record rate; it's consuming it at the same pace. It's the world's largest steel customer, with double-digit increases in annual demand. China is buying 20 per cent of total world exports and it is searching the world to buy up all the raw materials it can find. These materials are needed to fuel the mills that produce the steel that provides the infrastructure of China's massive construction boom. As a result, the prices of coal, iron ore, coke, and steel scrap have gone through the roof. These price increases have added significant costs to producers everywhere, including here in Canada.

These incredible developments are not just taking place within China. Other countries like Brazil, Japan, Korea, Russia and Ukraine, not to mention the European Community, have flourishing and cost-effective steel industries of their own. For many countries, steel is viewed like airlines; they want their own national steel producer just like they want a national flag carrier.

Some observers are questioning whether this heated activity can last. They are using the bubble word, wondering when Chinese demand for steel will fall, and asking what a flood of excess capacity will mean to global markets. But the fact is that this excess capacity will arise not only if Chinese demand actually falls, but if its current rate of growth just slows down a bit. If that happens, hundreds of millions of tons of excess steel will be looking for a place to call home. And the traditional destination for excess capacity is right here in North America.

So let's turn to the North American industry for a moment to see how it has fared and how it has organized itself to remain competitive in this new global marketplace.

The short answer is that we have rarely seen so much restructuring of a domestic industry in so short a time. The steel industry in Canada and the United States is still in the process of recovering from the effects of the Asian financial crisis of the late 1990s. Steel producers in Asia and in countries exporting to that region reacted to the crisis by diverting their excess capacity to our own markets.

Our industry is well acquainted with the unfair pricing and other practices that took place. Those who sell here for less than the cost of production, or at prices lower than in their home markets, not only defy international trade laws, they cost our economy jobs and investment as well.

And that's what happened as North America was flooded with too much steel at ridiculously low prices. As the U.S. Commerce Department reported, it appeared as though foreign producers were trying to beat each other in a race to the bottom. That bottom was reached and something had to give. Unfortunately, that something was the North American steel industry. Since 1998 more than 40 producers on both sides of the border have filed for bankruptcy protection. These include some of the pillars of the industrial economy of the past century, names like Algoma, Bethlehem, Ivaco, LTV, National, Slater, Weirton and, most recently, Stelco itself.

No less striking than the number of companies that have filed for protection is the way in which many of them have emerged from insolvency. We've seen incredible consolidation of companies and of production.

The catalyst for much of this change is a company that was born only two years ago this month. International Steel Group, or ISG, was formed to acquire and to restructure steel-making assets. Since then it has become a leading North American integrated steel producer through the purchase of the assets of LTV, Bethlehem Steel and other distressed companies.

These and other examples of consolidation have greatly changed the industry profile. It has also reshaped the playing field in terms of the size of the players, the market power they possess, and the assets they employ.

So industry consolidation is one phrase that summarizes how the North American industry has organized itself in a changing global marketplace. Another phrase that accounts for the success of companies like ISG is cost reduction. These companies have emerged from court protection with significantly fewer obligations and much lower overall cost structures than they had going in. In the United States we have seen a dramatic shedding of costs.

These dramatic developments have changed the structural and competitive landscape of the industry. The companies that have emerged from bankruptcy protection are lean, focused and operate at much lower cost.

This has made it difficult for other companies to compete with them on a cost-effective basis.

A third phrase that summarizes the state of the industry is investment capital. By revising their overall cost structure, successfully restructured steel companies have a greater ability to attract and then provide sufficient return on the capital needed to fund the capital projects that will keep them competitive.

I realize that this last point is not a new fact of business life. In fact one of my predecessors, Vince Scully, discussed this very issue in his remarks to the Empire Club in 1965.

He said, "The money to finance capital expenditures can only be attracted to those enterprises, which have demonstrated an ability to earn a satisfactory return on investment." While just about everything else in the steel industry may have changed since then, this principle, at least, seems as relevant today as it was 39 years ago.

So we see that industry consolidation, lower cost structures, and increased ability to attract capital have marked the recent past. Some observers believe it represents the future as well. Just last month, for example, the Dominion Bond Rating Service predicted that the inevitable slow down in Chinese demand for steel could trigger a new wave of industry consolidation. The report suggests that North American companies will have to address their uncompetitive cost structures in a changing international marketplace if they are to make the capital investments needed to remain viable.

That is exactly what Stelco is trying to do in the court-supervised restructuring process initiated nearly 90 days ago. We've been candid about the factors that led the court to pronounce the company insolvent for purposes of the Companies' Creditors Arrangement Act, or CCAA. These factors include a deteriorating cash position, an uncompetitive cost structure and the resulting inability to compete on a cost-effective basis, the increased cost of raw materials, an inability to make necessary capital investments, plus the fluctuation in the dollar exchange rate.

True, we have seen a recent and dramatic rise in steel prices. But that increase has not been, and is not expected to be, either sustainable or sufficient to offset the even more significant past and projected increase in our costs.

We initiated the CCAA process in order to address our problems, protect the groups that depend on us, develop a restructuring plan and become a viable steel producer. Our new senior management team took office in January.

We took on these new responsibilities in order to rebuild this great company, not wind it up.

Our new team is dedicated to doing that by improving the relationship with our employees, reducing our overall cost structure, improving productivity, focusing on key operations and products, and becoming more competitive.

Our goal is a viable Stelco that can continue to provide good and well-paying jobs to its employees, security to its retirees, and a range of economic and other benefits to the communities in which it operates. A Stelco that is "built to last."

We know the tangible problems we face and the process needed to address them. We're working to establish meaningful communication with the groups that will be involved. We've begun to share with them an analysis of our situation and the risks we face.

We'll discuss each group's particular interests and issues. We'll review how each group might make its own contribution to achieve a successful outcome. A formal CCAA restructuring plan will then be developed. And that plan will be submitted to and voted on by affected creditors. Changes to collective agreements will require approval by the bargaining units affected.

As you can see by this process, the goal of a court-supervised restructuring is a consensual plan built on the three Cs: communication, co-operation, and common sense. With good will on all sides, we hope to find workable solutions to the tangible problems I've just discussed.

But it is clear that Stelco faces a significant intangible problem as well, one that must also be addressed if our restructuring is to succeed. That intangible issue is the atmosphere of mistrust that has developed over the years between Stelco management and its employees. As I've only been an executive of the company for less than four months I don't propose to point fingers or to criticize the past.

But it is clear that the company as a whole has made a number of poor business decisions over the years which have contributed to the mistrust with which our own employees view management and the CCAA process itself.

As a result, some observers have questioned the company's motivation in seeking protection under the CCAA process in the first place. In fact, it is a longstanding, proven, and widely used legal means of pursuing a restructuring. And we believe it is the only available alternative to preserve the company and protect the interests of the people that depend on it. Other companies have used this process successfully and we can do the same.

Some observers have asked whether our CCAA process is directed solely against our own workers or any other group. In fact, I've said from the outset that no one group can, or will, be singled out to bear an unfair share of any solution. No one is looking to devastate employment incomes or retiree pensions.

What has happened in various restructurings in the United States is not our objective and would not be an acceptable outcome to us. All interested groups have a role to play and will have a say in the outcome. That's how the process works because that's the law.

Some observers have asked whether the CCAA process will enable the company or the court or anyone else to impose a solution on our workers or on any other group. In fact, the solution will emerge from the discussions we will, and must have, with all interested groups. Every group will be invited to participate in that process and we hope they all will take part. But that process will proceed because it must if Stelco is to survive.

And some observers have asked whether the CCAA process is really just a variation on the adversarial dealings between management and labour during a collective bargaining process. In fact, a court-supervised restructuring bears no resemblance to traditional labour relations activity. It is different at law and in practice. The process involves many more groups than management and labour.

My colleagues and I are working hard to address these intangible concerns and to instill a new culture of open communication within the company. We've held meetings with the presidents of our union locals. We've issued a number of information letters to all personnel. We've visited the mill floor, and we've held information sessions for groups of employees.

Our challenge is to change the culture and mistrust that developed over many years in a matter of months, because the time period in which a CCAA process is conducted is not unlimited. In our case, it's crucial that substantive discussions begin, and begin soon. We don't have the luxury of time given the problems we face and the work that has to be done if we are to develop a restructuring plan in the time available to us. Failure would mean liquidation. Failure would mean the end of Stelco as we know it today. We have a one-time chance to succeed.

But, I believe we can achieve our goals and emerge as a viable and competitive steel producer if for no other reason than failure is unacceptable. There is too much at stake for us not to succeed because the consequences of failure would extend far beyond the sites of our operations in Hamilton and Nanticoke. At risk are thousands of direct and indirect jobs in Ontario and elsewhere, significant economic activity across Canada, and considerable tax revenue for each level of government.

I'm an optimist by nature, so I want to focus on the positive reasons why Stelco can and should succeed. Our problem lies in our cost structure, not in our business.

We have some world-class facilities, products that are valued by the marketplace, a skilled work force, and plans to invest the capital that will make us more competitive.

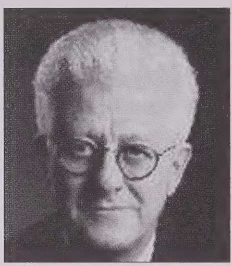
If everyone at the table works together and wants it to happen, we can achieve a positive outcome.

Given the extent to which that country's own progress has shaped this environment, perhaps we can take guidance on how to proceed from the ancient Chinese saying—the journey of a thousand miles begins with a single step. If we take that step together, and soon, we will go far towards achieving the successful restructuring that is our destination.

Thank you.

The appreciation of the meeting was expressed by Catherine S. Swift, President and CEO and Chair of the Board, Canadian Federation of Independent Business and Director, The Empire Club of Canada.

Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada, Bill Laidlaw, President, Parkelaw Inc. and Past President, The Empire Club of Canada, Courtney Pratt, President and CEO, Stelco Inc. and John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.



April 28, 2004

Karsten D. Voigt

Co-ordinator, German-North American Co-operation,
Federal Foreign Office

TRANSATLANTIC RELATIONS AND SECURITY POLICY: COMMON INTERESTS, VALUES AND HISTORY

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Dr. Klaus Rupprecht, Consul General, Consulate General of the Federal Republic of Germany; Roger Alexander, Senior Vice-President, Siemens Canada with responsibility for Manufacturing, and the Business Unit, Siemens Dematic; Rev. Dr. John S. Niles, Victoria Park, United Church and 3rd Vice-President, The Empire Club of Canada; Bernd Hoehne, Vice-President, Canadian-German Chamber of Industry and Commerce Inc.; Karsten Mertens, President, German-Canadian Business and Professional Association; Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada; and Rev. Vic Reigel, Honorary Assistant, Christ Church, Brampton.

Introduction by John Koopman

In 1618 when the Austrian Hapsburgs tried to impose Roman Catholicism on their Protestant subjects in Bohemia, it touched off the Thirty Year War. It was Reformation against Counter-Reformation with the war fought largely on German soil. Pillage and famine stalked the country as hordes of mercenaries lived off the land and plundered as they went. Starvation reached such a point there were reported cases of cannibalism in the Rhineland. The world did not see death and suffering on this scale until the great and terrible wars of the 20th century.

The 1648 Treaty of Westphalia (Peace by Exhaustion as it was known by contemporaries) ended the religious wars between Catholics and Protestants in Europe and finally eliminated any notion that the Holy Roman Empire would have dominion over the entire Christian world.

Yet the treaty is remembered not so much for what it ended, but for what it began.

The Treaty of Westphalia established national independence from the Roman Catholic Church and launched the sovereign nation state as the basic unit of government. Since the Treaty of Westphalia national sovereignty has ruled supreme and wars were fought for temporal matters of state, and not about religion.

The Wesphalian principles lived a long, constructive life and well served mankind for nearly 400 years.

In the contemporary world have these principles drawn their last valiant breath? I think the Bush administration would argue that terrorists have destroyed much of Westphalia's utility. The treaty never contemplated Hezbollah or Al Qaeda. You can't find them in an atlas; they are not identifiable geographically centered nations confronting another nation over political differences.

Consider the human tragedies in Cambodia, Rwanda, and Saddam's Iraq—situations that cried out for response from the civilized world—and query whether the repeated failure of multilateral response through the United Nations invited the abandonment of Westphalia and thereby made legitimate the "U.S. Coalition of the Willing." Is the world reconstituting a pre-Westphalian international order with the United States in the role of the Holy Roman Empire as the world's ultimate trans-national security force? Or, as retired Major McKenzie so pithily said at our club two weeks ago, the United States is de facto the world's sheriff and we need to get used to it.

A difference of opinion on this subject has brought German-American relations to a post-war low. One thing we can be sure of is that it is in Canada's best interest that the United States and the European Union's leading country find some common ground. Mr. Voigt has written and spoken widely on the issue.

Mr. Voigt sat for many years in the German federal parliament or Bundestag. For over a decade he was a member of the Executive Committee of the Social Democratic party and for the past five years has been the Co-ordinator for German-American Co-operation. He literally sits on a dozen boards and advisory councils including the Checkpoint Charlie Foundation, the RAND Europe Advisory Board and the Atlantik Brücke.

Karsten Voigt

One cannot look at transatlantic relations without realizing how deeply September 11, 2001, affected Germany's and Canada's relations to our closest ally, the United States. On September 11, 2001, the entire western world felt itself more closely bound to the U.S.A. than ever. The attack on the World Trade Center was seen as an attack, not only on the U.S., but also on the entire western world. In addition, the pictures streaming from New York awakened memories of the suffering and destruction caused by World War II bombardments in Europe. The people of Europe identified themselves in this moment politically and emotionally with the Americans. The offers of unbounded solidarity which followed were meant earnestly, as they are still today in the aftermath of the cruel and unjust attacks of Madrid.

There are many reasons why we Europeans were so able to identify with the U.S.A. Firstly, Europe and North America traditionally have closer relations with each other than with other regions of the world; we look back on a common history of thought and culture. Europe, and especially Germany, has had very good experiences in the transatlantic partnership. The American role in Germany's reunification will never be forgotten. In addition we share common basic values and have a similar concept of representative democracy, human rights, the rule of law and market economy. In many areas we are also bound by very practical common interests.

Despite all this, as you know it came to be that a short time after September 11 the majority of Europeans felt alienated from the U.S. government's foreign policy. This exclusion began with the use of the term "war" by the U.S. president. For us this word brings up a plethora of memories and fears which it does not for the majority of Americans. In Europe the term war is inseparably connected to the enormous suffering of the civilian population, as has always followed armed conflict between opposing ideologies and interests. The collective memory in Europe associates the term "war" with war in the home country. In the U.S. the term is also bound with other associations; I remind you of Johnson's War on Poverty in this case. The declaration of a war on terror and the language with which President Bush justified it caused many Germans worry. In Germany, one could understand very well the threat, which the U.S. saw itself facing. Many Europeans, however, underestimated the shock which many Americans felt after the attacks on New York and Washington, the first time since the War of 1812 that centres in the heart of the country were touched by violence from abroad. The U.S. reaction was foreign to many Germans because of the differences in our histories, especially the religious terminology or the undifferentiated division of the world in friend or foe, good or evil.

The crisis in transatlantic relations which followed during the discussion about the best way to proceed in Iraq shows how great was the lack of understanding on either side for the other's position. Even though the great crisis on the political level has passed, the admonitions and accusations which were exchanged will long be remembered. I would like to clarify that I, unlike other observers, do not currently see the German-American friendship in danger. The visit of the German Chancellor to Washington a few weeks ago is proof of this. But the argument over Iraq was not just an argument over the singular, if also important, decision to use military means in Iraq, but also the expression of changes in the relationship.

Changes in the Geopolitical Situation

The geopolitical situation has changed dramatically in the last decades. The end of the Cold War ended the bipolarity between East and West. We live today in a more complex reality, which is neither described satisfactorily with the term unipolar nor the term multipolar. We are experiencing new and more dangerous forms of international terrorism, and certainly not just since September 11, 2001. Weapons of mass destruction (WMD) in the hands of dictators who are ready to use force represent a danger to international security. At the same time crumbling governments, when coupled with the willingness of non-state actors to use large-scale violence, create a threat to world peace. We must face the risk that terrorists of the type Al Qaeda represents might some day also gain access to WMD. These new threats to world peace as well as the terrible reality of war crimes committed in both domestic and international conflicts make the reform of our security policy strategy and instruments necessary. They also necessitate the readiness of the community of states to reconsider the capability of current legal standards and instruments to solve these new problems and conflicts. This new situation and the new threats also, of course, affect the transatlantic relations.

Surrounded by its close allies Canada and Mexico, the U.S. left the process of the Cold War as the last remaining world power, with the greatest military, economic and technical strength. At the same time a united Europe has developed into an actor which also plays an important role on the world stage. As a part of Europe, the reunified Germany must begin to think increasingly globally when it comes to security policy, and should in some cases be prepared to act globally as well. During the Cold War the divided Germany and Berlin stood in the centre of a worldwide conflict. The Federal Republic of Germany was more dependent on the U.S. for security during the Cold War than it is now. Also Germany's relevance for the U.S. has changed; Germany is still strategically relevant for the U.S. today, because of, for example, its role in the EU, its role in Eastern Europe and its importance in the world economy. Germany is no longer in the centre of a global conflict. We should be thankful that the "German question" which has troubled Europe for centuries has now found, in consensus with its neighbours, a peaceful and stable answer. The central conflicts for us all, in contrast to the time of the Cold War, are now found in other threats and other regions of the world.

This history does, however, explain Germany's special position in this time of geopolitical transformation. For Canada, as well as Germany's European partners Britain and France, the new strategic orientation of the U.S. does not demand the same kinds of changes in thinking and action as it does for us. Until 1989 no troops of the Federal Republic of Germany had ever been involved in military action. Germany must begin to think and act more globally, when it comes to foreign and security policy. We must carefully consider when we should act and when we should not. Because of our limited resources and interests we may, in some cases, have to decide against action. We will only be able to participate selectively in military actions. We must be clear as to whether such decisions are to be made only on the national level or whether we should participate in missions based on votes in NATO, the EU or the UN. I am certain that Germany, on the basis of its interests, geostrategic position, history and especially based on our multilateral convictions, will decide against making such decisions based solely on the national level. For us multilateralism remains an undeniable principle of our foreign and security policy.

The worldwide landscape of alliances has also changed. NATO, which remained close and stable for over

50 years in the context of a threat from the Soviet Union, must be reformed both as regards its goals as well as its structure. New partnerships have been struck with countries outside the Euro-American alliance. The conflict over the Iraq question brought transatlantic relations more strongly to our attention. The possibility of the U.S. finding the fitting "coalition of the willing" for each problem threatens to undermine the importance of transatlantic relations as a strategic partnership. Yet the western world has the common goal of expanding democracy, human rights and the rule of law, with the aim of enhancing our own security and spreading these values globally. And in this we will in the future be co-operating, not competing. Not only NATO must adjust itself to a changed global situation. More than for NATO, this is true of Germany as an important member. As a part of Europe the reunited Germany must think ever more globally and be prepared, in certain situations, to act globally as well.

A New Atlanticism

In my opinion, what we need now is a new Atlanticism. The way towards this will be found through reforms of transatlantic perspectives, transatlantic politics and transatlantic institutions. Allow me to elucidate. Firstly, we must clarify again where our commonalities and where our differences lie. The condition for a strengthening and renewal of transatlantic relations is understanding the other side. It is known that there are gaps in the North American population's knowledge of Europe. I fear, however, that the knowledge which the majority of Germans have of North America in general and the U.S. in particular also rests on shaky foundations. The novels of the famous 19th-century German writer Karl May, Hollywood films, and MTV clips skew attention from the complex and difficult America, which is now and will continue to be our transatlantic partner. This has political importance as well, for ignorance and false impressions among the citizenry make it difficult for politicians, because politically rational actions and compromises are not easily communicated to the general population.

If we are instead aware of our differences and know the history behind them, it will be easier to justify our current positions on political questions, and therefore to come to meaningful compromises based on what we know. Awareness of this background will make possible the reform of transatlantic institutions, so that they can then facilitate effective co-operation between transatlantic nations. Allow me then to present a few points in which I see similarities and differences, how these affect the current politics and which measures I see necessary on the institutional level to ensure the stability of transatlantic relations for the future.

Perspectives: Development of Culture, Culture Clashes, Values

Although the commonality of values is a favorite topic of Sunday morning talk shows, one should not forget that the United States of America has defined itself, since the discovery of the New World, often in contrast with Europe. Because of this the relations across the Atlantic have, despite numerous correlations, always brought with them various problems and challenges. My predecessor as the Co-ordinator for German American Relations, Professor Weidenfeld, speaks in this context of a reciprocal admiration and aversion, a deep wish for nearness and at the same time, a pronounced mental distance. These contradictory elements coalesce within transatlantic relations in a highly ambivalent and also unique relationship. The ambivalence of this relationship has been especially obvious in the time since September 11, 2001.

If one seeks the answer to the question, why Europeans—and I am sure also Canadians—feel the U.S. is different, one must accept that the U.S. has developed its own intellectual tradition. This is of course the exact opposite of that cheap but widespread prejudice against the U.S. as a land without culture, and it is precisely because of this that so many of us have difficulty in accepting the idea of a different U.S.-American and in addition to it in many respects a different Canadian intellectual tradition. These original creations are much more than just that which has been inherited from Europe. These traditions underly the differing perspectives, which we see again and again beyond the Atlantic. Many of the unique qualities of U.S. culture are viewed very positively in Europe. The plurality and variety, the dynamism and creativity of the U.S. culture have always brought forth admiration from Europe. Also very attractive is the extent of individual freedom and the great value placed on civil liberties in the U.S. But there are other aspects of the U.S. society, which meet with no understanding in Europe and function to alienate us. I would like to name some of these aspects and examine them more closely, as they form the background for many of the current differences of opinion between the U.S. and Europe.

One example is the U.S. sense of mission, which alienates many Europeans. The political system of the U.S. stemmed from a religious vision. Some aspects of the puritanical world view still influence politics today. The early settlers saw America as a shining example for the rest of the world—a New Jerusalem, a city on a hill. This U.S. sense of mission is therefore inseparable from the founding of the U.S. as a nation. In addition the puritan founding fathers were stamped by a Manichean world view, in which it was seen as possible to differentiate clearly between good and evil. The after effects of the founding fathers' world view are still felt today.

A further aspect which disconcerts Europeans is the high value placed on religion in U.S. society. U.S. Americans are generally greatly more religious than Europeans: 60 per cent state that religion plays an important role in their lives. In Germany this is just somewhat more than 20 per cent. We often forget in Europe that America was settled by religious refugees—Baptists, Quakers and Mennonites. These and others fled from a religiously intolerant Europe. The history of the Huguenots is certainly well known in Berlin, and illustrates both the rule of oppression and the lack of tolerance towards alternative religions in Europe in early modern times. In the U.S. the freedom to practice religion was from the beginning a part of individual freedom and democratic order, which is characteristic for the national self image of the U.S. It was different in Europe, where freedom and democracy had to prevail in the centuries-long fight against the established unity of throne and altar. Therefore many democrats in Europe in the 18th and 19th centuries defined freedom in opposition to religion. The result of this difficult struggle was, for Germany, a different relationship between churches and the state than exists in the U.S. Religion itself was also transformed in Europe. The majority of modern European theology is much closer to the traditions of the Enlightenment than the American religious right. One who compares U.S.-American and European worship services often has the impression that strong tendencies in American Protestantism are closer to psychology and mainstream European Protestantism is closer to philosophy.

It is therefore also only seemingly a contradiction that there exists in the U.S. a worldly, civil religion. In 1922 the English author, G. K. Chesterton called the U.S. "a nation with the soul of a church." Of course church and state are kept more radically separate in the U.S. than in most other western nations. But there is a great deal of religious symbolism in the governmental sphere; one thinks of the rhetoric of the President, the phrase "in God we trust" on the dollar bill, and much more. U.S. politics borrows not only in this way from religious symbolism, but also raises political convictions to dogmas of "the

American Creed." For as a nation of immigrants, the U.S. depends for its cohesion on citizens' awareness of the idea of the U.S.A. as a secular religion.

Religion also has, despite the separation of church and state, great political influence. Religious and other fundamental convictions affect domestic and foreign policy directly. Evangelical groups especially have an importance in politics which should not be disregarded. Evangelical Protestants are the largest religious group—approximately 20 to 30 per cent of the population and fully one-fourth of registered voters. This influence is largely underestimated in Europe, first, because religion is much less of a factor in politics, secondly, because European attentions are often centered on the secular capitals of the East and West coasts. The evangelical right is especially important for Republicans. In August 2003, when, according to the Gallup poll, 49 per cent of those questioned would be willing to vote again for George W. Bush, 67 per cent of these were weekly churchgoers. In 2000, 74 per cent of active evangelicals stated that they would vote for the Republicans.

A typical U.S. characteristic is also the belief in the positive power of progress. Since the frontier was pushed all the way to the Pacific by settlers and the entire North American continent was settled, Americans have been on the search for new frontiers. This plays out both in the macro- and microcosm. In the realm of space exploration, it was President Kennedy's definition of the moon as the next frontier which drove the quest to place a man on the moon and bring him safely back to earth. The current president has recently declared, in keeping with this tradition, his intention to see a manned mission to Mars. Genetic research is an example of exploration in the heretofore hidden secrets of the microcosm. It is also an issue which is not uncontroversial in the U.S. The criticism of genetic research is, however, resident in the rhetoric of the religious right, whereas skepticism can be found both among the right and the left in Germany. The generally more positive attitude in the U.S. toward progress has, however, allowed a much more reserved debate than in Europe. Generally, therefore, researchers in Europe are under much more pressure to justify themselves ethically, which has led to the rejection of embryonic research or genetically modified foods, among other things.

Possibly because of the frontier experience, which has accompanied the U.S. since its birth, the use of military power as a means of self-defence plays a much greater role in the U.S. than it does in Europe. In the U.S., the story of becoming a nation was concurrent with the experiences of many in a nearly lawless frontier space. The individual on the range went through many hardships, but enjoyed much freedom. In Europe there were nations whose actions in a lawless space led their populations into centuries-long war. From the Hundred Years' War between England and France at the end of the medieval era to the devastation of the 30-Year War through to the abyss of the Second World War, the fear of lawlessness and disorder was etched into the European psyche. The suppression of violence through the current European lawful states with their unchallenged, yet controlled monopoly on military might and the stable community of Western European states are civilizing advancements, the importance of which is only to be understood in the context of our history. The U.S. does not share this history, or only partly does, and therefore it is also difficult to understand the reasons for the aversion to violence which Europeans, and especially Germans, share.

The topic of punishments also fits into this context. That the idea of atonement is much stronger in U.S. judicial systems than the concept of rehabilitation is to be seen not only in the death penalty, but also the great proportion of the population who are incarcerated, a much greater number than in Europe. And also in foreign policy the concept of atonement plays a role—as we have seen in just this past year. All these aspects are met in the greater part of Europe with a distinct lack of understanding.

Individualism is a pillar of the American self-image. The individual is responsible for his own pursuit of happiness. If he is very successful, he is met with societal acceptance rather than envy, as is often the case in Germany. If he fails, however, he cannot rely upon a densely woven social safety net. Individualism causes the American concept of equality to be one of basic initial conditions, and not of end-result living standards. In Germany the protection of egalitarian living standards is written into the constitution. Overly great social inequalities are seen as ethically and politically problematic. In the U.S., however, the concurrent existence of ghettos and extreme riches does not guarantee the same degree of indignation.

Common Values, Differing Hierarchies of Values

And now to come to a new transatlantic perspective, as I have mentioned previously, one must regard the differences between the European and American cultures soberly, so as to use them constructively as a launching point for the development of new commonalities. And in my eyes it is ever more clear that we are talking less about differing values and more about differing hierarchies of values. The basic values upon which we base our actions are mostly the same ones, and therefore I use the term community of values. But Americans and Europeans have developed different perceptions of the values which should be given priority. The most obvious example of this is the differing priority placed on equality and freedom. In Europe one is more ready to limit the freedoms of the individual in favour of social equality.

These differences in our hierarchy of values are not new. They have always contributed to the ambivalent images which Europeans and Americans have of one another. And these ambivalent images, our respective perspectives on the transatlantic partner, are not set in stone. They find themselves, always dependent on the current historical situation, in constant transition.

Politics: Consensus and Difference

New orientations in transatlantic perspectives are therefore not unusual. Naturally, times of transformation, such as we are experiencing currently, bring with them feelings of uncertainty. They also offer the chance, however, to reflect anew on the cultural and social background of our relations, in order to develop a new and fruitful level of discussion. Please allow me to name some of the current political debates in which the differences in our perspectives directly affect questions of transatlantic politics.

Especially current is of course the fight against international terrorism. After September 11, 2001, Europeans and Americans felt themselves particularly closely connected. One hoped that the developing threats could now be met and defeated together. This hope was at the beginning also the political reality. In the question of Afghanistan, the U.S. and Europe began the military action together. Since then they have been engaged together in the stabilization of security and democracy there. But the war in Iraq made it clear that there are pointed differences. For one, the readiness to use military means in the fight against terrorism is not the same among partners. Also, multilateralism is for Germany a necessary principle; for the U.S. however, it is only one among many options. These differences will remain in the future, and will make negotiations and action together difficult, but do not by any means exclude the possibility of coming to practical compromises.

Another current issue in our relationship across the Atlantic is the protection of private data. In Europe the state traditionally carries the responsibility to protect the private sphere of the citizen from uncontrolled dissemination of private information. The U.S., with its tradition of allowing the state little influence in the private sphere and putting this onus on the citizen, relies heavily on the self-correcting nature of the market to control the dissemination of information. Sharpened security measures since September 11 now include a greater level of state control over the personal information of citizens or visitors (for example, the biometrical data collected at airports). This therefore leads to a contradictory situation: the freedom-loving government of the U.S. is now undertaking greater interventions into the freedoms of its citizens than Europe, with its much more pronounced authoritative tradition, finds appropriate. Europe feels similarly about the unlimited incarceration of suspects in Guantánamo, where people have been held for years without a legal judgment and against agreed-upon basic human rights. These examples show how deeply the U.S. was affected by September 11. Many in Europe still underestimate the change in thinking, feeling and perception of the world, therefore the U.S.'s perception of the world, since 9/11.

Individualism and the specialized concept of freedom which exists in the U.S. explain the fact that the free expression of opinion has such a high value among basic rights. In Germany, on the other hand, history has led to the development of an "offensive democracy," in which the protection of democracy is under certain circumstances more important that freedom of speech. This results, for example, in differing attitudes about the necessity of legal regulation of the Internet or other public speech. In contrast to the U.S., in Germany it is not first the act, but rather the propagation of hate and violence, which is punishable under law. The Internet makes it possible for unwanted propaganda to be downloaded easily including the dissemination of extreme right-wing ideas which is a criminal act in Germany. This example shows clearly the way in which globalization undermines the protective functions of European states.

As a last point, I would like to discuss international policy. In the U.S., democracy is closely associated with sovereignty. It is not accidental that the two main streets which lead to the Capitol building in Washington, D.C. are called Independence and Constitution Avenues. This tradition hampers the integration of the U.S. into international organizations because the subordination of the United States to organizations, which have not been legitimized through elections by the American people, is seen very skeptically. This fact explains, for instance, the ambivalent feeling of the U.S. toward the UN, an organization in which, in the eyes of many Americans, non-democracies attempt to direct the action of democracies—an abomination to not a few Americans.

Turning Differences Around Constructively

Each of these differences, in itself, does not endanger the transatlantic relationship. The danger lies rather that in times of political tension these differences could be used politically to increase the alienation. In my eyes it is important to be aware of the differences between the two sides of the Atlantic so as to better understand each other, but not to pursue them doggedly. There are of course not only differences—just the opposite. We have with no other region of the world as much in common as with North America, and here I deliberately include Canada. This is just as true in the reverse, a point which has been occasionally forgotten in the heat of daily political business. Thus there are many areas of transatlantic politics in which we come very close to one another and can therefore learn from one another. Please allow me again to name a few examples.

Germany's reforms in the field of citizen's rights have relied heavily on the North American example. The thought that we are dependent on immigration in order to counter the aging of our society has also finally been accepted in Germany. The definition of citizenship as stemming from ancestry and ethnicity has therefore been shown to be inadequate. As on this side of the Atlantic ever more rights of German citizenship are being associated with the length of time spent in our country and the degree of integration which has been achieved.

One area in which we can still learn a great deal is a higher level of mobility in economic and social realms. This does not mean that we should adopt the given social and economic structures, but to adopt more of the North American flexibility. It would give needed momentum to Germany. This is also true of the so-called grassroots initiatives. The U.S. has approximately double the number of non-governmental organizations per capita that Germany has. Of course Germany has approximately twice as many as does France. I hope, then, that we are moving in the direction of America. We need a strengthening of our civil society in which also social groups are prepared to face some challenges and the government is not expected to find solutions to all societal problems.

Of course there are common political interests for the solution of which co-operation between the U.S. and Europe is indispensable, and this is even more important than the individual issues which might lead us to look to each other. The history of transatlantic relations is one of common interests and mutual visions. The most important interest of the West in the second half of the 20th century was to contain the Soviet Union and to protect the stability, security and democracy of Western Europe from Soviet power and Marxist-Leninist ideology. This does not however mean that there was always unity among partners on how best to achieve this goal. Especially contentious then were the issues of arms control and nuclear strategy, and the transatlantic partners discussed again and again what the best politics as regards the Soviet Union were, yet one shared for 50 years the vision of a zone of security and democracy stretching across Europe.

Since the end of the Cold War we have made great progress in this process. The threat posed by Soviet communism is over. We have accomplished the expansion of the EU and NATO and therefore fulfilled the vision of the West. Since the official partnership between Russia and NATO in 1997, transatlantic co-operation with Russia has grown and matured, as was demonstrated in 1999 in Kosovo. But all these positive steps do not, by any means, make the transatlantic security alliance superfluous.

Since September 11, 2001 the solidarity of NATO members in the fight against international terrorism and co-operation with Russia has grown even more important. For one, terrorism does not only threaten the U.S. but the whole democratic world. In addition, it is a form of threat, which resides in shadow and is nearly impossible to predict. We are talking about a danger which is uniquely difficult to fight, and which no one nation alone can conquer. The co-operation of all western partners is now of special importance.

Institutions: the Backbone of the Transatlantic Partnership

A couple of months ago I was at the Conference on Security Policy in Munich. There the ways in which North America and Europe are connected these days are almost tangible. They profit from one another as trade and investment partners. They turn to each other in the struggle with worldwide challenges and their citizenry see each other as partners and friends.

All this obviously does not make for constant transatlantic harmony. One reason for some of the current conflicts is that we have grown so close to each other as to enjoy a "democratic domestic society" or, one could say, that we deal in transatlantic domestic policy. Economic, social or cultural developments in the United

States are also followed and discussed in Europe, and the same is partially true in the reverse. Naturally the transatlantic partners must come to an agreement on how to handle the big international policy questions; questions such as war versus peace, the role of the UN and questions of how to relate to Islam and what the correct solution is for international terrorism. As we grow more closely bound, however, we must also consider questions together which have a more domestic character, such as how to deal with Islamic groups within our own borders, our respective balance between the rule of law and civil liberties, or questions of the correct balance between consumer protection and business interests.

Social, legal and cultural questions are therefore becoming a part of the European-American dialogue, but conflicts of a domestic nature lead to more tensions. At the moment we lack the appropriate mechanisms to solve this kind of conflict. At this point I come back to the point of reforming international institutions, which I mentioned earlier. We must first come to a stronger exchange of ideas and opinions on the level of NGOs, think tanks, business and educational institutions. An expansion of the transatlantic partnership on this level would bring us together in a transatlantic learning community, which would benefit both sides.

I see NATO continuing to have a central role in transatlantic relations. It offers structures which can keep this relationship in good shape and, even though this is not always necessary, to repair it. This was readily observable in Munich. What is, however, urgently necessary in this sphere is a marked increase in the security capabilities on the European side. The extreme imbalance which exists in this field between the U.S. and Europe makes Europe, on the one hand, an uninteresting partner for the U.S. It is in this imbalance which I see the danger to future transatlantic co-operation. A Europe which has little global influence is an uninteresting partner in the transatlantic partnership. On the other side of the coin, a Europe which, because of its weakness, has little influence on the transatlantic partners will eventually turn away from them in frustration. A weakening of the transatlantic partnership would then follow. This would, of course, have a negative effect on the U.S.'s position as a world power in the long term and weaken the transatlantic alliance's role as a backbone for international peace and stability. For the American position is also based on—not entirely, but in part—the fact that the U.S. has such dependable business and strategic partners on the opposite coast of the Atlantic.

In order to keep up the long-term interest in transatlantic relations, we therefore need to strengthen the capabilities of European countries within the EU and NATO. It is therefore important that the EU member states agree on a stronger foreign, strategic and defence policy. I do not see any danger in this: that a strong Europe would define itself in opposition to the U.S. This would neither be in the interest of the majority of European NATO members, nor, surely, in Germany's interest.

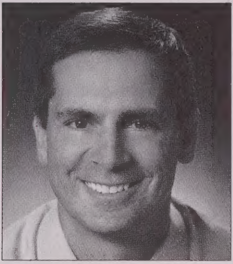
Luckily there is not only the motivation to repair and maintain the transatlantic partnership, but there also exist fitting structures for this. In 2002, NATO was fundamentally changed in Reykjavik through the decision to act for strategic stabilization outside its own territory. NATO offers now not only the traditional alliance, but also the Alliance of 20 Partnership-for-Peace countries, the NATO-Russian Council, the common commission with the Ukraine and growing experience with the solution of multi-regional conflicts through negotiation. These are appropriate tools for the consolidation and securing of all parties' common goals through co-operation. The new challenges and the new position of Europe on the world stage will change the culture of foreign and security policy on our side of the Atlantic and will change the kinds of decisions we make.

Europe and its transatlantic partners must develop common positions, for example, in relation to the Islamic world and the problems of the Mediterranean area and the Middle East. This was the purpose of the initiation of Foreign Minister Fischer at the Munich Security Conference, for a strategic partnership for a common future in the Middle East. Only when we are confident of a common western position, when we have reached consensus on our common base, will we be able to come together in a constructive political dialogue. Only when we are united can the West unfold its full influence in dialogues with other regions and, if it is unavoidable, in conflicts. Therefore we need a thorough review and reworking of the three levels—transatlantic perspectives, transatlantic politics and transatlantic institutions. Canada and Germany are key partners and, together, can build the necessary momentum to foster a new Atlanticism in order to be able to face the new challenges of our time and to successfully shape the world of the 21st century.

Thank you.

The appreciation of the meeting was expressed by Dr. John S. Niles, Victoria Park, United Church and 3rd Vice-President, The Empire Club of Canada.

Nan Grant, Special Education Teacher, Parkdale Collegiate Liaison, Justin Eves Foundation for the Learning Disabled, Isabel Bassett, Chair, TVOntario and Past President, The Canadian Club of Toronto and Dr. Kevin Smith, President and CEO, St. Joseph's Health Care.



May 10, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Dalton McGuinty

Premier of Ontario

BUILDING THE NEXT GENERATION OF MEDICARE

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company, Director, Toronto Rehabilitation Institute and Past President, The Empire Club of Canada; Reverend Canon Kimberley Beard, Rector, Christ Church, Brampton and Director, The Empire Club of Canada; Michael Goldbloom, Publisher, The Toronto Star; Christine Fuller, Clinic Nurse and Co-ordinator, Rheumatology Clinic, Hospital for Sick Children; His Worship Mayor David Miller, Mayor, City of Toronto; Dr. Jeanie L. Callum, Director, Transfusion Medicine and Tissue Banks, Sunnybrook and Women's College Health Science Centre; The Hon. George Smitherman, MPP, Minister of Health and Long Term Care, Province of Ontario; John A. Campion, Partner, Fasken Martineau DuMoulin LLP and Past President, The Empire Club of Canada; Richard O'Hagan, Senior Counsellor, Campbell Strategies; Duncan McCallum, Managing Director, RBC Capital Markets; Signe Holstein, CEO, Ontario Physical Therapy Association; and Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group.

Introduction by John Koopman

We have all grown used to an almost adversarial relationship between the provincial and the federal governments.

Sir John A. Macdonald wanted to keep partisan politics out of the provinces and the first Ontario government, which Sir John A. helped form, was led by the essentially non-partisan Sandfield Macdonald.

Non-partisan provincial politics didn't last long. The Reform party, the ancestor of today's Liberals, saw things differently and within four years the brilliant Liberal Edward Blake was premier of the province. Blake was followed by another Liberal, Sir Oliver Mowat, who served as premier for 24 years.

Premier Mowat was a pugnacious, vociferous, defender of provincial rights and helped create the decentralized federation we know today. His arch-enemy was his childhood friend, and later when he did his articles, law firm boss—the Tory Sir John A. Their long-standing ties did not stop Sir John A. from once trying to punch Mr. Mowat in Parliament.

Premier Mowat personally argued Ontario's case at the Privy Council in London, England, where to Sir John A's great Tory disgust, Mowat won a ruling that provincial legislatures were sovereign not subordinate powers within defined subject matter heads in the BNA Act. He also led Ontario in the great Battle of Rat Portage when Ontario tried to establish jurisdiction over what is now mercifully called Kenora.

For most of the last 140 years Ontario has generally elected to Queen's Park whatever party was not in power in Ottawa.

When Mitch Hepburn was elected premier we had a rare decade when the Liberals held both capitals. But Hepburn treated Prime Minister Mackenzie King as his mortal foe. At a speech to the Empire Club in 1938, after the toast to the King, he felt compelled to remark that he had toasted His Majesty the King and certainly not Prime Minister King.

It does thus seem that Ontario leaders have been at odds with Ottawa since Confederation.

However your recent election, Honourable Sir, would suggest that Ontarians just might have grown weary of jurisdictional bickering and cross words.

Contemporary Ontarians are interested in seeing what fruits might ripen in the rich loam of communication, conciliation, and co-operation with Ottawa.

The civil tone that you Sir have brought to Ontario's dialogue with Ottawa can only benefit our province and the country.

Ladies and gentlemen, please join me in welcoming the Premier of Ontario, the Honourable Dalton McGuinty to the podium of the Empire Club of Canada.

Dalton McGuinty

It is always a wonderful experience to speak here at the Empire Club.

This is Nursing Week and it would be remiss of me not to pay tribute to those people who day in and day out give expression to this innate, human desire that we have to care for people in times of sickness. So on behalf of Ontarians, twelve million strong, I say to Ontario nurses, thank you. Thanks for the work that you do. Thank you for your dedication, your commitment, your perseverance, but above all, your care and your compassion.

You know, my fabulous Minister of Health, George Smitherman, reminds me of the ongoing pressures connected with acquiring the latest kinds of technology that will help us to better diagnose and treat illness. But the single most important instrument when it comes to the delivery of care, the single most important instrument in giving expression to care and compassion remains the human hand. Nurses bring those caring hands to the job, day in and day out. So once again, to Ontario nurses, thank you so much for the work you've done.

You know, looking at the newspapers recently, I was reminded that there are a few signs of spring that you can always count on in Canada: the Leafs will fall, my Senators will go home even earlier and someone will put out another study on health care.

It might be a study that undermines confidence in medicare like the one the Fraser Institute put out just last week. Or it might be one that defends our system like the one you can expect any day now in response to the Fraser study.

Studies have their place. But when it comes to health care, Ontarians have had more than enough studies. I'm not here to announce another health-care study. Nor am I here to continue the debate over medicare. That debate is over.

Ontarians make the same point every time we ask them either in a poll, or more importantly, at the polling booth. Ontarians support a universal, publicly funded system of medicare, that's based on what you need, not how much you make. We believe in medicare because something tells us that caring for our sick—just because they're sick and not because they can afford treatment—is the right thing to do. The fact that medicare gives our businesses a competitive advantage is something that is important to us. But the real reason that we like medicare so much is because deep down something tells us it is the right thing to do.

So the debate for Ontarians isn't about whether we keep medicare. It's about how we improve it so that we get results. Results like shorter waits for cancer and cardiac care, hip and knee replacements, and MRI and CT scans.

People know that we face some tremendous challenges. They know there's a shortage of family doctors and they know the cost of health care is going up, way up. In fact, for the past five years, the health-care budget in Ontario has been increasing by an average of 8 per cent a year. Over in our hospitals, it's been 10 per cent a year. Drug costs—15 per cent a year. At these rates, there will come a time when the Ministry of Health is the only ministry we can afford to have, and we still won't be able to afford the Ministry of Health.

People know too, that our growing, aging population is placing even more stress on our health-care system.

Here's just one example of the challenge that this creates: sadly, the number of diagnosed cancer cases in Ontario is expected to double by 2028. What that means is, unless we make changes, you are going to have to wait twice as long for radiation treatment if you're one of those people diagnosed in 2028. So if you're in your mid-forties today, you'll be in your seventies in 2028.

When I tell people this, they don't say: "You know, I hope when I'm in my seventies you'll allow me to dip into my retirement savings and to pay for my radiation treatment, because that's really what I want to do." What people do say is: "God, I hope somebody somewhere actually does something to improve the system, so the treatment is there for me when I need it."

That's what our government is determined to do. To set us on a course to make sure that treatment is there for us, when we need it. But the Minister of Health and I can't do this on our own. It's going to take all of us working together. All of us making a contribution to the change that we need.

We've got a plan to do it. We have the resolve to do it. And we have already started to do it. We are going to build a health-care system that is second to none.

And, along the way, we're going to destroy some myths. The first one goes like this: "It's all bleak, it's all dark, it's all bad." That is nonsense.

Let's face our challenges head-on, but let's be smart enough to look at the whole picture.

Canada spends less on health as a percentage of our GDP than the U.S. And we happen to insure everyone. The U.S. has 44 million people with no health insurance. Employers in the U.S. spend about $57 per capita on health benefits. Canadian employers spend about $8 per capita.

Our system makes sense. We have tremendous success stories here in Ontario. They are a foundation we can build on.

Here's one: the Sault Ste. Marie Group Health Centre had its humble beginnings in 1963. Today, it serves half that city's population. And what a service. Patients not only have access to doctors, nurse practitioners, and registered nurses, but to 52 other professionals as well.

Services range from diabetes education to a heart recovery program to a hearing aid dispensary to acupuncture to x-rays, to rehab to a health information Web site. I don't believe there is a better one-stop primary-care service anywhere in the world. And it's no wonder Roy Romanow called it "the jewel in the crown of medicare." And it's right here in Ontario.

Here's another homegrown success story. In the 1980s, there was concern over reports that we were losing heart patients while they were waiting for surgery. The painful truth was that there was no central wait list and very few standards for rating the urgency of a case. That led to the creation of the Cardiac Care Network. The network now co-ordinates, facilitates and monitors access to advanced cardiac care and today Ontario has some of the best cardiac surgery outcomes anywhere in the world.

My point is that we have some tremendous successes. Now it's time to build on those.

The second myth that should be blown out of the water is the one that goes like this: "No one knows what to do." That is nonsense as well.

I want to read you a quote from a panel of experts who reviewed Ontario's health-care system. It goes like this: "There is a remarkable consistency and repetition in the findings and recommendations for improvements in all the information we reviewed. "Current submissions and earlier reports highlight the need to place greater emphasis on primary care, to integrate and co-ordinate services, to achieve a community focus for health and to increase the emphasis on health promotion and disease prevention. "The panel notes with concern that well-founded recommendations made by credible groups over a period of 15 years have rarely been translated into action."

Do you know when that was written? 1987. It comes from Dr. John Evans, who chaired a panel for the Peterson government. 1987. And Dr. Evans was complaining back then that nothing had been done for the previous 15 years—even though there was a strong consensus on what to do.

We know what to do. We've known for decades now. It's just high time we did it. And we will do it.

The third myth and the most dangerous of all is that it can't be done. Medicare apparently, according to some, can't be improved. This is the pessimists' view. They see that something hasn't been done yet, so they conclude it can't be done, ever. If babies were pessimists, no one would ever learn to walk. I'm not a pessimist. I'm an optimist. I know that it can be done. I know that Ontario can do it.

We've already started. We have introduced historic legislation that will ban pay-your-way-to-the-front-of-the-line health care in Ontario. It is without precedent in this country.

If passed, the Commitment to the Future of Medicare Act would set up a new framework for accountability. For the first time, hospitals will be required to work with us on accountability agreements with the funding they receive tied to the results Ontarians want. We have introduced legislation that would give the provincial auditor the power to examine not just internal operations of government like the Ministry of Health, but our funding partners as well, including hospitals. After all, as the Minister of Health has said, accountability is a two-way street.

We are moving aggressively with an agenda on health promotion and disease prevention, and we are going to be asking Ontarians to make healthy choices in return.

We'll make our schools healthier places for our children by banning the sale of junk food in elementary schools and making physical education mandatory.

Smoking is the single greatest cause of preventable illness. It kills 16,000 of us every year and costs the system $1.5 billion. And that's only in direct health-care costs. We will not continue to quietly preside over this devastation.

We are acting. We've already increased the price of tobacco. And we will introduce legislation that will make all public places in Ontario smoke-free by 2006. When it comes to smoking we will do everything we can to make it harder for Ontarians to start and easier for them to quit.

Our government is throwing its weight behind primary-care reform. I know that those of you in the know have heard that before, but there's an important difference here. We're not talking about primary-care reform and throwing our weight behind tax cuts. We're throwing our weight, money and energy behind primary-care reform.

We have begun work on the creation of 150 family health teams—teams of doctors, nurses, nurse practitioners and pharmacists working together to provide comprehensive care, when you need it. The exact make-up and services provided by these teams will vary from community to community. What they'll have in common is a mission to deliver better care close to the people they serve. Ontarians who have been looking for family doctors will be cared for by someone they know, instead of sitting in emergency rooms waiting for someone to come.

And we are going to take action on public health. In the wake of SARS and Walkerton, experts have told us what's wrong with public health: there's too little money, too little co-ordination and too little effort to control infection. Our government will launch a comprehensive public-health strategy that commits us to more. More resources, more emergency preparedness, more independence for the Chief Medical Officer of Health, and harkening back to something that John said at the outset, more collaboration with the municipal and federal levels of government.

A virus doesn't respect provincial political jurisdictions in its attack on us. So we can't allow political jurisdictions to get in the way of our attack on a virus. That's not a call for heavy handedness. It's just a call for co-operation.

I believe that Ontarians deserve to know the truth about the quality of their services. So, we've committed to establishing the new Ontario Health Quality Council to independently measure our progress and report to the public. I believe that the information provided by this new council, in terms of how well we are doing, what progress, if any, we are making, will become an important driver to change.

And we are showing leadership on the national stage, working for a new deal on health-care funding, one that will sustain medicare for the next generation. Yes, we want Ottawa to address this so-called fiscal imbalance between the federal government and the provinces. But we haven't simply bashed the feds. We haven't simply played politics. We've put ideas on the table and we've already reached new agreements on reforms like better working conditions for nurses.

I can tell you that we see an opportunity for Ontario to lead the way in delivering positive change in health care, just as Saskatchewan led the way in the '50s and '60s. After all, this is Ontario. We are Canada's strongest and most successful province. And try as my predecessors may have, there can be no hiding from our history and destiny.

Ontario has the responsibility to be a leader in matters important to all Canadians, like health care. We gladly accept this responsibility. And we will work hard to build a win-win for Ontario and Canada.

When I see the work being done by our frontline health-care workers, when I know about the tremendous strengths that are here to build upon and when I think of what Ontarians working together are capable of, I can't help but be an optimist. We can do this.

But I'm also a realist. This is going to require sacrifice because it's going to cost money. I'm talking about money to sustain the services we provide today, and money to invest in the changes we need to make for tomorrow.

You see, once we invest in home care, then we can move people out of hospital beds and shorten waiting times for surgeries. Once we invest in primary care, then more people will have 24/7 care outside the hospital and we will shorten waiting times inside the hospital in our emergency rooms. And once we invest in health promotion then you can reduce the incidence of heart disease and shorten waiting times for cardiac care.

Change will save lives, and it will save money in the long run. But it requires an investment, up front. Right now. Our budget will address this, and we are urging the federal government to ensure its next budget does as well.

Ladies and gentlemen, I ran for premier to improve public services. I believe the most important public services—our education and health care—are the measure of our commitment to each other. I believe it's time for us to renew that commitment.

We've wasted far too much time debating medicare, instead of improving it. Far too much time dithering, instead of doing. I'm asking for your help, so together we can show the resolve and make the investments needed to make positive change happen.

I want to finish by telling you a story in honour of Nursing Week and in honour of the fact that yesterday was Mother's Day.

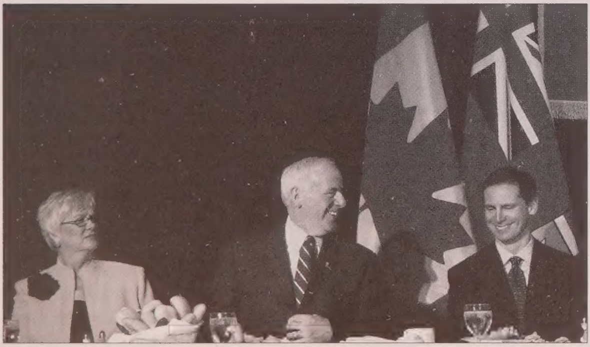
My mother, like all mothers, is one of a kind. My mother helped raise 10 kids. She was also a nurse for 35 years. I'm sure she sometimes felt there were more beds in her home than in the wards where she worked. At one time she worked in a hospital in psychiatry on the night shift. There were some young people who were very disturbed. And one morning, when she arrived home and joined us for breakfast, she was visibly upset. She told us that a patient had hit her and she showed us the bruises. And the kids reacted as you might expect kids to react. We were very upset. We said: "Mom, this is crazy. You've got to get out of there. You've got to quit." My Mom is a remarkable person, and she said something quite remarkable. She said, "That young man needs me. And if I don't do this job, who will?"

Right now, medicare needs our help. Our friends and family and neighbours, who depend on medicare, need our help too.

Now is the time. After so many false starts, after so many studies, after so much debate, now is the time to deliver the positive change that medicare needs, that patients need, and that Ontario needs. Now is the time for our generation to build the next generation of medicare.

It won't be easy. But it is essential. And ask yourselves this: if we don't do this job, who will?

The appreciation of the meeting was expressed by Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group.



Signe Holstein, CEO, Ontario Physical Therapy Association, Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and The Hon. Dalton McGuinty, Premier of Ontario.

May 11, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Worship Mayor David Miller

Mayor, City of Toronto

A NEW DEAL FOR TORONTO

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Tim Reid, President, Strategic Investor Relations and Director, The Empire Club of Canada; Magda Mostowy, Grade 12 Student, Parkdale Collegiate Institute; The Most Reverend Terence E. Finlay, Archbishop of the Ecclesiastical Province of Ontario, Archbishop of The Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada; Alan Huycke, President, Alternavest Capital Corporation; Kristyn Wong-Tam, Associate Broker, Coldwell Banker Terrequity Realty and Member, Church-Wellesley Village Business Improvement Area; Dan Argiros, Managing Director, Conundrum Capital Corporation and President, ProAction, Cops and Kids; Margaret M. Samuel, Vice-President and Portfolio Manager, Alternum Capital, Co-Chair, Central Waterfront Neighbourhood Association and Director, The Empire Club of Canada; John A. Honderich, Past Publisher, The Toronto Star; Catherine R. Charlton, Member of Council, Ontario College of Nurses and Past President, The Empire Club of Canada; and Glen Gowland, District Vice-President, Toronto Centre District, Scotiabank.

Introduction by John Koopman

In 1834 "Dirty Little York" became the City of Toronto. "Dirty Little York" because that was how it was distinguished from the grander "Yorks" in England and the United States.

Even by standards of the day, Toronto was not much of a city. Pigs rummaged openly in still muddy streets, there were no sewers and no water system. Privies stood in every backyard.

Hopes for progress were high in 1834 when William Lyon Mackenzie was chosen as the new city's first mayor.

But sewer building did not proceed, city finances were chaotic and at an angry protest meeting over tax rates tragedy struck when an over-crowed balcony collapsed killing five. Things got worse when a cholera epidemic swept Toronto and by mid-August 1834, 25 people a day were dying in a city of 9,000.

A year later Mayor Mackenzie was voted out of office. Two years after that he returned leading a mob of armed radicals in an attempt to seize the ungrateful city. His rebellion failed and our first mayor was exiled.

It was an inauspicious beginning for a city. No infrastructure, no money, a tragic epidemic and an exiled mayor.

Over the years, many things about our city have changed but at least one theme remains consistent. Former Mayor David Crombie raised that theme when he addressed the Empire Club in 1974: "The city still labours along with a regressive property tax as our main source of revenue...while the federal government has access to ever increasing sources of revenue while...they have diminished responsibility...in urban problems...I predict that you will hear from the mayors of...cities across the country on the problem of money."

While there are no longer pigs and privies in our streets, the financial challenges faced by Canada's cities generally, and Toronto in particular, persist.

Mayor Miller emigrated from England to Canada with his mother when he was eight years old. He has a degree in Economics from Harvard, where he graduated magna cum laude. He also has a law degree from the University of Toronto, although it would not be fair to hold that against him.

More importantly, across the city he is known as a gentlemen and a man of great personal integrity. He has a commitment to consensus building and transparency in government for which we should all be grateful.

Ladies and gentlemen, please join me in welcoming to the podium of the Empire Club of Canada the Mayor of Toronto, His Worship David Miller.

David Miller

Thank you for having me here today. It's an honour to address the Empire Club for the first time since I was elected mayor. It's hard to believe, but that was six months ago yesterday.

It is a very exciting time to be a mayor in this country. There is a palpable wave of optimism about cities, and the opportunity to get a "new deal."

I want to speak to you today about the need for that new deal, and to start to describe what the key pieces might look like from Toronto's perspective. But I also want to outline for you what the challenges are of governing a city like Toronto without the proper legislative and financial tools. I want to describe for you the strengths and weaknesses we juggle every day, as an economic centre and as a city government.

A hundred or more years ago, when the planners and builders who dreamed my city were doing their work, did they ever imagine that it would look as it does today?

Cities are hives of tremendous activity; they are buzzing, creative centres where immigrants come to prosper, where our souls are lifted by the arts, where new neighbourhoods grow. Every day, I am filled with pride to think that I am mayor of a great city.

Did those who drafted our first laws—making cities creatures of their provinces—know how we would evolve? Did they ever imagine that we would need to move several million people around this city every day, through a combination of public transit and cars, subway lines and roads? Did they ever imagine that Toronto would be home to such an intense, wonderful diversity of inhabitants?

Likely not. And while many of the tools they created serve us well, we have outgrown others. Just as the city does not look the same as it did when Toronto was born, neither does the country.

We are an urban nation today—a country where the bulk of the population lives in large urban centres. And we are continuously moving in that direction, not away from it.

I don't need to tell anyone in this room that cities are the wealth of our nation. You understand better than most the strategic value of cities to Canada, illustrated by looking at the distribution of GDP.

Cities finance this country. As our large urban centres go, so goes the country.

The demands on cities are more complex than ever before, and yet our powers and our revenue sources have not evolved in a parallel way. We need the funding, the legislative tools, and the autonomy to be able to deal with the opportunities and challenges that come with that growth.

In my view, cities need the full powers of government, like those of a province. We need revenues from taxes that grow with the economy, because these are the only taxes that can support all of the responsibilities that modern cities have.

I don't think it's an exaggeration to say that the absence of adequate investment in our cities—in everything from public transit, to affordable housing, to childcare, to infrastructure—is reaching a crisis point.

For the past few decades, the federal and provincial governments have steadily been withdrawing from, or reducing their commitment to, a number of policy fields that have a profound impact on Toronto.

Some examples:

The combination of lack of investment in social housing by the other orders of government and cuts in welfare rates correlate statistically with observable increases in homelessness. There's a direct impact on the demand for municipal services, from hostels to policing.

The complete withdrawal of the previous Ontario government from transit and urban transportation shifted responsibility to the municipal level.

Even where there has not been a formal transfer of responsibility to the municipal level, cities like Toronto, just by virtue of its size, are being drawn into responsibilities vacated by the federal and provincial governments.

This is not inherently problematic, but it is practically so if we do not have the powers and revenue sources we need to assume increased responsibilities.

Our only source of taxation is the property tax. We tax land. Good times or bad, the amount of land doesn't change. And in mature, almost fully built-out cities like Toronto, the ability to generate additional revenue is severely constrained.

Federal and provincial governments tax income and consumption, both of which increase during periods of economic growth. Another key difference: the federal and provincial governments can cut taxes without necessarily cutting spending. At the city level, tax cuts lead directly to service reductions.

And note the comparison to the U.S. There, the federal government is into urban transit and renewal. Compared to U.S. cities, Toronto is at about a $600-million-a-year disadvantage in improving its future economic competitiveness.

U.S. cities have access to a wider range of revenue sources than Toronto, including gasoline, sales and income taxes in some instances. As a result, they rely on property taxes for less than one-fifth of their revenue. By comparison, property tax accounts for almost half of Toronto's revenue.

Next week the provincial government will bring down its first budget. I am optimistic, and I have been encouraged by some of the moves that have already been made—like raising the minimum wage, and investing in Toronto's public transit system.

Yesterday, along with the federal government, the province and the city announced the Strong Neighbourhoods Task Force. This is an important initiative, as it will help develop long-term solutions for building strong neighbourhoods and preventing further decline.

But at the same time, I must remind the provincial government that real families and children live in our poorer neighbourhoods now. And they can't wait a year for a task force report. It is time for the province to take direct, new steps to help the low-income families and individuals in Toronto.

How can they do this? Well, they can start by passing through the federal childcare funding to keep open 1,100 childcare spaces in Toronto by raising the benefit levels of the Ontario Works program and by cost-sharing the Affordable Housing program. Maintaining and building strong neighbourhoods require social re-investment in our city by the other orders of government. The Ontario budget next Tuesday provides an opportunity for the new Liberal government to start that process.

In this year's Throne Speech, Paul Martin acknowledged that "the new deal means that city hall has a real seat at the table of national change." I, and mayors from hub cities across the country, were very encouraged by that. Allow me to lay out for you what a seat at the table might look like from my perspective.

In the broadest sense, it is about mutual respect, and it's about good government. It's also essentially free. It doesn't cost the senior orders of government a cent to bring cities to the table as full partners in areas where there is overlapping jurisdiction.

In order to manage resources wisely and govern effectively in the public interest, different levels of government must work together and talk to each other. Having a real seat at the table is a necessary precondition for doing this. This will provide public officials with the time, means, and opportunity to share information and resources.

In so doing, it will allow governments to develop policy and programs and budgets that meet the same priorities as those of the people of Toronto. Good planning and co-ordination, in turn, is what allows governments to "spend for impact."

In a moment I will give you an example of an area where it might easily be accomplished to great effect. But first, here are a couple of cautionary tales—examples of what happens when cities do not have a real seat at the table.

Recently we negotiated a billion-dollar, three-way funding agreement for the Toronto Transit Commission (TTC). Or rather, the provincial and federal governments announced that a billion dollars in transit funding would be coming Toronto's way, at a time when discussions about the agreement had only just begun. And it's worth noting that $350 million of that billion comes from the City of Toronto.

More problematic than a premature announcement was the process of negotiating those funds. They effectively arrived at an agreement, and then came to us with it. As city officials sat down to work out how that money would flow over five years, it became clear that the senior orders of government each had priorities for spending that made no sense from our perspective. Both the provincial and the federal government wanted us to spend money immediately on projects that are not only not priorities for the TTC, but they actually cost us at this point in time, as they don't address the critical state-of-good-repair issues that really are the priority for Toronto.

It's the city that runs the TTC. It's the city that lives and breathes by the state of the transit system. It's not an exaggeration to say that Toronto doesn't work when our transit system doesn't work.

But the other levels of government had identified priorities that made sense to them, each within their own silo, somewhat divorced from the on-the-ground reality of the transit system in our city. We had to elbow our way into the discussion and try to shift everyone's gears. Now, I will note that this process did get back on track, and while we haven't yet signed an agreement, we are on the way to working out a deal that will make sense for Toronto and for transit riders.

Ultimately, the agreement will work, but it took much longer than necessary, and we risked jeopardizing substantial public investment, simply because the federal and provincial governments, in their rush to announce $700 million, did not think to involve the city as an equal partner.

Let me give you one more example of what the consequences are of not treating cities as equal partners. Last year, we as a government did not hear about the World Health Organization's issuance of a travel advisory related to SARS until it was far too late. This happened because the WHO only talked to Health Canada, and Health Canada in turn would not communicate with Toronto Public Health for fear, presumably, of intruding on provincial jurisdiction.

A seat at the table—a true relationship among equal partners—would provide a forum in which to exchange information and, more significantly, would help build a "culture of communication" between governments.

Now let me outline for you an area where we absolutely have to do better in the future. Toronto's reputation as a city that does a good job of welcoming and integrating immigrants is important to me as mayor, and it is in jeopardy. Not because governments don't spend enough money, although a little more in the right places would make a big difference. Not because we don't care about the success of newcomers. But because governments have failed to "talk to each other" and co-ordinate their policies and programs.

Consider this example. Some years ago, the federal government adopted a new immigration policy that significantly increased the number of highly skilled, well-educated immigrants entering Canada, yet little effort was made to ensure that these individuals would be able to access the labour market in their respective areas of expertise. Provincial regulatory and licensing bodies—for engineers, doctors, etc.—were simply not ready, willing, or able to accommodate the aspirations and needs of a significant influx of foreign-trained professionals.

If Toronto had been "at the table," we would have been in a position to share our staff's expertise and the expertise of Toronto's extensive network of community-based immigrant service providers with the federal and provincial governments. The disconnect between implementing a federal policy that opens the door to skilled immigrants without corresponding changes to provincial regulatory, licensing and credential assessment practice would have been detected and corrected earlier.

The national tragedy that sees thousands of skilled immigrants unable to find jobs in their area of expertise could have been avoided—or addressed far more quickly and effectively—if Toronto had had a seat at the table.

So, as the next step in achieving a new deal, I'll be looking to the Prime Minister and Premier, effective immediately, to include Toronto officials in major policy, program, and budget deliberations on issues that have a significant impact on the city. We can start with the areas of public transit, affordable housing, immigration and settlement, childcare, and infrastructure.

A seat at the table will have the benefit of making it more difficult for governments to point the finger at each other when things go wrong or fail to go right. Canadians can then more easily hold governments accountable and, in turn, help to close the democratic deficit that threatens confidence in public institutions.

Toronto's waterfront is another area where we absolutely must do better.

The Toronto Waterfront Revitalization Corporation (TWRC) and the City of Toronto are moving forward with plans to improve the water's edge promenade. As you can appreciate, a project of this magnitude and complexity requires significant up-front planning. Precinct plans for East Bayfront, West Don Lands and Commissioners Park are nearing completion. These plans will be very detailed about public and private space, and about the height and relationship of buildings to one another. They will also set out transportation, servicing and environmental measures.

When the precinct plans are presented to Council later this year, they will form a comprehensive package that includes strategies for achieving important public objectives such as affordable housing, community facilities, transit, and parks.

But first, the roles and contributions of the three governments must be clarified and balanced.

The governance structure of the TWRC implies an equal partnership, yet the business strategy and project approach do not quite reflect equality. The TWRC is calling for each government to contribute $500 million in cash, and all public lands free.

The City of Toronto owns 65 per cent of land in question, and will have operating responsibility for most of the new infrastructure and parks. Yet ultimately, tax revenues from a successful waterfront redevelopment will benefit the federal and provincial treasuries the most. The City of Toronto is already cash-strapped by dramatically fewer revenue streams available to us than are available to senior governments.

We also need to balance each government's need to maintain its policy and regulatory powers, while providing the waterfront corporation with the autonomy it requires to effectively manage the project.

From the city's perspective, clarifying the roles and commitments of various government bodies is critical to ensuring protection of the public interest. This is a challenge, to be sure, but we must address the overlapping jurisdictions of government agencies and departments in Toronto's waterfront.

In addition to the waterfront corporation, there are no fewer than 14 additional players, including the City of Toronto Development Corporation (TEDCO) at the city, the Ontario Realty Corporation provincially, and the Toronto Port Authority at the federal level. Each of the government partners must ensure that its agencies and departments are supporting and facilitating the waterfront corporation and its revitalization activities. For the TWRC to succeed, we should give them the tools they need to do the job.

We will also be able to review and improve the governance model. By introducing elected officials, including the mayor of Toronto, to the board of the waterfront corporation, we can provide each government with the direct link required to ensure timely realization of revitalization goals. This will ensure public accountability, and it will expedite the release of funds.

Friends, no one wants to see a new deal come together more than I do. I am optimistic. With the federal government facing an election and in need of urban support, and a premier in Ontario who seems to understand the importance of cities, I think we are on the way. We need to be. I want to see Toronto thrive; I want us to be able to offer a healthy economic climate, cosmopolitan splendour, and the familiarity and comfort of distinct neighbourhoods.

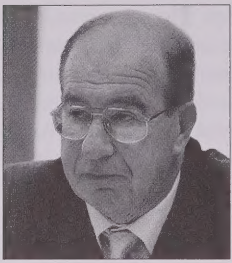
In cities we come together to pool resources, to share risk, to create critical mass, to reduce costs, to learn and share experiences and to define a new sense of identity, of community. Every day I am buoyed by Torontonians' sense of civic pride and commitment. There's an energy in the streets that I have never seen before. The people I speak to are full of hope and excitement for their city.

And it is in cities—in Toronto—that I hope we are poised to make bold, new policy moves that will move the whole country forward. The people of Toronto deserve and demand that success.

Thank you.

The appreciation of the meeting was expressed by Margaret M. Samuel, Vice-President and Portfolio Manager, Alternum Capital, Co-Chair, Central Waterfront Neighbourhood Association and Director, The Empire Club of Canada.

The Most Reverend Terence E. Finlay, Archbishop of the Ecclesiastical Province of Ontario, Archbishop of the Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada and His Worship Mayor David Miller, Mayor, City of Toronto.



May 19, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Lord Peter Levene

Chairman, Lloyd's of London

IS PROFITABILITY A DIRTY WORD IN INSURANCE?

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Catherine S. Swift, President, CEO and Chair of the Board, Canadian Federation of Independent Business and Director, The Empire Club of Canada; Reverend Canon Kimberley Beard, Rector, Christ Church, Brampton and Director, The Empire Club of Canada; John Chambers, Underwriter and Director, Non Marine Property, Aegis Energy Syndicate 1225; Jane Voll, Vice-President, Policy Development and Chief Economist, Insurance Bureau of Canada; Richard E. Clark, Partner, Stikeman Elliott; Julie Dickson, Assistant Superintendent, Regulation Sector, Office of the Superintendent of Financial Institutions; Nicholas Smith, Attorney-in-Fact in Canada for Lloyd's Underwriters; George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada; Loraine McIntosh, Partner, Deloitte & Touche LLP; Bryan Davies, CEO and Superintendent of Financial Institutions, Financial Services Commission of Ontario; Nancy I. Chambers, President, RIMS; and Kenneth J. Mead, Executive Director, Guy Carpenter & Company Ltd.

Introduction by John Koopman

The ladies in our audience understand the difference between a man and a whole-life insurance policy. A whole-life policy eventually matures.

Solidarity is as old as mankind and it is at the core of insurance.

Ever since mankind emerged from the darkness of unrecorded time, we have tried to soften the inevitable vicissitudes of life. Our ancestors understood that only through solidarity of the many could the unfortunate few be helped. Deuteronomy in 14:28 describes Moses instructing the people of Israel to contribute a portion of their produce for "the alien, the orphan and the widow."

At the dawn of humanity, solidarity was limited to family and clan. Insurance is the extension of the solidarity principle beyond family and clan.

In ancient Babylonia, the Code of Hammurabai legalized insurance contracts on desert caravans. Prior to these first crude Babylonian insurance contracts a trader gave up his life and that of his family as slaves, if as the result of a desert marauder or other calamity the trader was unable to repay his lenders.

Until the beginning of the 16th century, people trusted St. Florian to protect their houses from fire. The Great Fire of London led to the creation of the world's first fire insurance companies. Soon after insurers discovered that it was in their own best interest to put out fires in buildings they had insured. Solidarity among insurance companies ultimately led to the creation of London's first true fire department and St. Florian was relieved of much of his responsibility.

Lloyds of London has its origin in the solidarity of the coffee shop. The coffee house that Edward Lloyd opened in 1687 near the Thames was a favorite haunt of risk-takers—men who would later be called underwriters. Its patrons assumed the risk of every conceivable contingency from the weather to the Queen's pleasure.

Lord Levene in the title of his address today asks: "Is Profitability a Dirty Word in Insurance?" The ancient Babylonian trader and the 17th-century London home-owner knew profit by the risk-taker was unequivocally a good thing. It meant that a caravan had not been attacked, or that a British merchant vessel had not been sunk by a Spanish "Man of War." The simple fact that this issue needs to be addressed suggests that though the contemporary world is more complex than that of our forefathers, it is not wiser.

Lord Levene has had an illustrious career. He is a life peer, a former Lord Mayor of London, and prior to becoming the Chairman of Lloyds he was among other things the Chairman of United Scientific Holdings, the Chief of Defence Procurement for the U.K.

Ministry of Defence, and Chairman of Canary Wharf and Bankers Trust International. He was also an advisor to the prime minister of the United Kingdom for five years.

Ladies and gentlemen, please join me in welcoming Lord Levene, the Chairman of Lloyd's, to the podium of the Empire Club of Canada.

Lord Peter Levene

"The name Lloyd's of London is redolent with mystery and adventure. It suggests the tang of the sea and the aroma of coffee and tobacco. It denotes a fabulous phantom organization that pervades every sphere of life where risk is involved. It wagers with the whole world against every conceivable contingency from the vagaries of the elements to the Queen's pleasure."

So said Harold Lawson, former president of this distinguished forum, as he introduced Sir Walter Barrie, past Chairman of Lloyd's, to speak in 1960.

Almost 45 years later, the honour of speaking here is mine, and I am delighted to be here on my first visit to Canada as Chairman of Lloyd's.

In the intervening decades, much has changed both within the Canadian economy and within the Lloyd's market. However, it remains truer than ever that Lloyd's "pervades every sphere of life where risk is involved."

Today, Lloyd's is an international insurer and rightly known as the global powerhouse for specialist risk. But although we operate in over 190 countries and territories around the world, North America remains our largest market, and Canada is our largest source of overseas income after the United States, with business up 30 per cent in the first quarter of this year. Throughout the continent, our focus is on commercial insurance, and the security of Lloyd's runs like a thread through the economy; over 90 per cent of companies listed on the Dow are Lloyd's clients; and 10 of the 14 Canadian companies listed on the Fortune 500 have policies at Lloyd's.

However, in the past few years, the insurance environment here in Canada has been extremely volatile. And as availability of coverage and pricing of products have fluctuated, the industry has come under intense scrutiny and criticism, particularly here in Ontario where auto insurance has become a political issue.

Let me start by saying up front that the impact of this volatility on the insurance industry's customers and its investors alike is totally unacceptable. The customers feel themselves gouged. The investors feel cheated. In that context, I think it is fair and even necessary to ask: is profitability really such a dirty word in insurance?

Today, I want to cut through the headlines and the hype, and ask three practical questions. What are the facts about the financial situation in 2004—both for the insurance industry's customers and its shareholders? What is driving the current situation we have experienced? And what can we do to secure a more stable, successful environment for the future?

So let's start with the facts in 2004.

First, for consumers. There is no doubt insurance buyers of all shapes and sizes have been severely impacted by volatility in the marketplace.

Small to medium-sized businesses, which account for around 92 per cent of Canadian companies, have been hit particularly hard. The Confederation of Independent Businesses represents 100,000 companies across Canada, and their president said last year: "We were quite surprised when we did a membership survey at a time, when we were hit by SARS and BSE among other things, that 70 per cent of our members identified insurance as a top concern."

Now call me a cynic, but when someone I meet asks which industry I am in and I tell them insurance, they tend to yawn as their eyes glaze over, and wish they had never asked in the first place. So when 70 per cent of companies are spending more time worrying about the availability and the price of insurance than major economic threats to their business, there is clearly something wrong.

Consistency is something which insurance buyers desperately want. We know because they have told us so. In a recent survey which we conducted with North American risk managers, an overwhelming 84 per cent said that stability of coverage and pricing was not just important but very important for them.

A stable environment means that you can plan ahead and that you can transfer your risk in a predictable way, at a predictable cost, and manage your finances better.

At the moment, however, we have coverage and pricing volatility. Your CFOs don't like that, and your shareholders don't like that.

What, then, about insurance industry investors? If you believe the press, you would be forgiven for thinking that they must be more than content, raking in the profits from three years of price hikes.

But a quick look at the bottom line shows that couldn't be further from the truth. For the Canadian insurance industry, 2001 and 2002 are the worst years on record. Ever. In 2002, the return on equity for the industry fell to an all-time low, a miserly 1.6 per cent. So with a return on equity of just over 10 per cent in 2003 (when the arguably less risky banking and life insurance sectors are producing returns of around 15 per cent) it seems somewhat ironic that insurers making money should prove to be such a controversial story. Would investors in any other industry settle for such an unpredictable environment?

It seems, then, that no one (insurance buyers, insurers, or their shareholders) is happy with the current environment.

If that's the unhappy situation we find ourselves in, how have we got here? What are the drivers?

The first is one entirely of the insurance industry's own making. Poor management by the insurance industry of its core skill—underwriting.

It's been happening for as long as insurance has existed. The cycle starts with the insurance industry making a profit, and capital comes in to take advantage of the strong trading conditions. As competition increases, rates fall and the coverage is widened, this dual effect exponentially reducing the true price of what insurance should really cost. Only when something dramatic happens that makes the industry truly afraid to go on, do we finally confront our mounting losses and return to economic pricing.

It happened back in the nineteenth century, when insurers covered property close to home. Every fire was a reminder that their town, their assets, could burn next. And in the infancy of the insurance market, companies could not transfer their exposures so easily onto other markets around the world.

The trouble is that as the insurance markets have grown, those shocks which serve to bring things back into line are getting progressively bigger, the cycle is getting deeper, the swings are getting greater, and as a result, volatility is rapidly becoming unacceptable for everyone.

Those 19th-century fires which shocked the market back into sanity have turned into Hurricane Andrew in 1992; and 9/11 in 2001. If we allow the cycle mentality to continue, what will it be next time?

And that brings me onto the second driver. The cost of claims is soaring, and whether they admit it or not, insurers can no longer provide the coverage they used to at the prices they have been charging. The cost of risk has grown.

Take natural catastrophes. After a few years of benign loss patterns, we saw a rise again in the level of global catastrophes to US$16 billion last year, up from 11.5 billion in 2002.

Canada, unfortunately, mirrors the global trend. Hundreds of forest fires scorched much of British Columbia and burnt a C$250-million hole in the insurance industry's pockets; Hurricane Juan blew a further C$113 million as it ripped through the Atlantic coast; flooding, wind and hailstorms and the blackout also helped to make 2003 one of the worst loss years on record.

Unfortunately, all the evidence suggests this is no blip on the chart—neither for Canada nor the wider world. The long-term trend is clear. Over the past four decades, there has been an exponential increase in both the frequency and the impact of natural catastrophes.

If you compare the last 10 years to the 1960s, when Sir Walter Barrie was here, the facts are brought into sharp relief.

- The number of disasters has doubled.
- Economic losses have increased by a frightening factor of 6.7.
- Critically, insured losses have increased even faster—by a staggering 13.5 times.

We are now also witnessing a rise in the cost of man-made losses.

The growing compensation culture is one cause. Probably like you, we Brits used to see litigation culture as an American problem. But there is evidence that it is spreading to Canada and Europe.

While we haven't seen the class action activity here that we have in the US, it is firmly on the rise, and Canadian companies are beginning to find themselves targets for shareholder lawsuits—in both the Canadian and American courts. Nortel, it seems, is in the firing line again for alleged violation of accounting rules. Another is YBM Magnex International, (that's Magnex International not Magna International) which settled two class action suits filed by Canadian investors for $120 million. It had failed to notify shareholders that it was under FBI investigation for alleged money laundering—and the Toronto

Stock Exchange took the decision to halt trading of the stock.

The auto insurance market provides a different perspective of the compensation culture. There, in the absence of injury claims reform, the residual market (which deals with auto risks the standard markets won't underwrite) recorded a loss of C$550 million last year. After the ice storm, that's the second most expensive insured loss ever experienced in Canada!

Add to this the increasing acceptance of contingency fees—with lawyers in Ontario increasingly operating on a "no win, no fee" basis, and we have a potentially explosive cocktail. Businesses and the insurance industry need to work and lobby together to ensure that Canada does not go down the road to a U.S.-style compensation culture.

So, what's the solution? I believe there are some very practical steps that each of us can take.

First, the insurance industry needs to take a more realistic approach to its underwriting. Only by doing so can it restore its credibility and establish stability in the marketplace.

The truth is that insurance today costs about the same as it did 10 years ago. The recent price hikes are simply a necessary correction to the price decreases and extensions of coverage which spread through the insurance markets in the mid-'90s as competition increased. But with the volatility in coverage and pricing over the last decade, it isn't surprising that customers feel hard done by and are unable to plan their finances effectively.

As an industry we need to communicate better about the true cost of insurance, and explain why we take the actions we do. We need to look policyholders in the eye and tell them that there will be sufficient funds to cover claims should disaster strike. That means they can rest in the knowledge that their insurer is still going to be around in 10 years' time to pay their claim. But, critically, we can only cover claims if there are sufficient funds to do so.

Insurers must therefore get to the point where there is reasonable expectation of an underwriting profit, not just at the peak of the cycle, but every year.

Second, it means that government and regulators must display more realistic expectations of the role and economics of the insurance market. More then ever, businesses need insurance to take on new commercial challenges and to thrive.

The new, vibrant Canadian economy with leadership in everything from energy to engineering and technology to transportation is a solid testament to the spirit of the Canadian people. I wonder though: "How many of the global enterprises, fabulous new buildings, and world-class infrastructure projects that have been created here recently would have happened without insurance?" Few, I expect.

But regulators and politicians must remember that Canada is one of the most highly regulated insurance markets in the world, and any further attempt to stifle market forces will make it dangerously unattractive for businesses to operate in. They must also face the hard truth that auto premiums will continue to go up unless they implement reforms to set limits upon court awards and eliminate no fault benefits that lead to fraudulent claims. Ultimately, they must not put the financial health of the insurance industry—and therefore the consumers they represent—at risk due to the demands of politicians whose views may be clouded by the need to attract votes.

Third, it means that Canadian companies must take a more realistic approach to risk and face up to the changing risk environment.

In today's increasingly risky world, it is more important than ever that businesses have a holistic understanding of business risk, and that they set a strategy for dealing with disaster when it strikes.

Successful risk management requires implementation from the top down. And that means greater attention to risk at board level.

The good news is that there is some acceptance of and commitment to risk management in Canadian companies. In a recent survey, no one said that their board was uncommitted to risk management. But at the same time, only 40 per cent said senior management commitment to risk management is excellent or strong.

I firmly believe that tomorrow's most successful, least crisis-prone businesses will be those whose boards show firm resolve and take decisive action. Effective, integrated strategies for dealing with tomorrow's risks require a change in culture at board level now. It means the cost of claims can be better controlled. And where claims costs can be controlled, so too can the pricing.

So, is profitability a dirty word in insurance? I believe that it shouldn't and mustn't be. But the incessant volatility that we currently suffer is, and it can only be corrected by a large dose of realism all round.

Not by rolling back prices unrealistically, defying the economics of investment and the changing risk environment, in order to appease politicians and consumer groups. The success of any such strategy will be short-lived. A sudden change in pricing policy will not result in improved relationships between customers and their insurers; or between consumers and their governments. It can only ultimately lead to another hard market cycle with double-digit rate increases further down the line.

Of course, history proves that insurance executives and underwriters have short memories. Almost as short as those of politicians. So is change, and a shift to a more realistic environment, possible? With resolve and determination I believe so, yes.

At Lloyd's, we are determined to get it right this time and we aren't taking any chances. We for one are not prepared to be in the position once again of trying to explain yet another painful cycle to our customers. We recognise that the old equation simply doesn't work any more and we are facing up to the future.

We have now taken some very decisive steps to change things as we enter the next stage of the insurance cycle. Just over a year ago, we began implementing a new franchise structure. Its key objective is to deliver consistent, strong financial performance, avoiding the staggering peaks and troughs to which we have become accustomed. After our first year of operating under this new structure, we are now confident that our plans for 2004 are now grounded in the reality of external market conditions.

Going forward, a willingness to maintain pricing adequacy and to make honest changes where necessary is critical to our future success.

So, let me be honest, pricing must remain firm. But if sense and economics are allowed to prevail, then we can avoid in the future the unpopular and unacceptable increases in premiums and fluctuations in capacity that we have witnessed recently.

The insurance industry has a critical role to play in the development of the 21st century Canadian economy. At the close of his speech 45 years ago to the Empire Club, the former chairman of Lloyd's said: "Looking to the future, which seems full of opportunity, I confidently believe that insurance has a great deal to offer by its ability to turn the wheels of commerce and encourage development throughout the world."

And he's still right. Without insurance, businesses cannot take the commercial risks they need to in order to grow and thrive. But the financially unstable environment we encounter today is unacceptable for all—customers and insurers alike. To recap, then:

- The insurance industry must take a more realistic approach to underwriting and communicate its actions better to consumers;

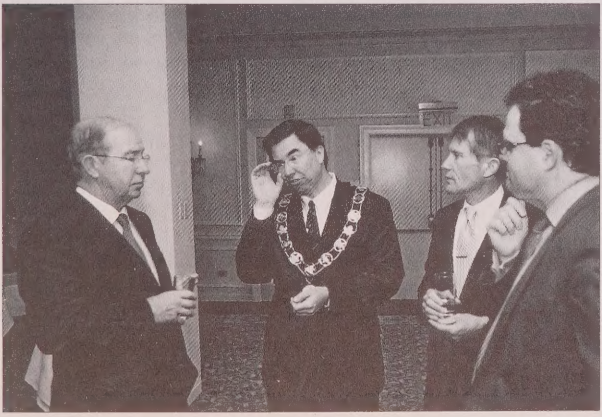
- Politicians and regulators must develop more realistic expectations of the insurance industry; and
- Canadian companies must take a more realistic approach to the range of risks they face and take risk more seriously at board level.

By doing so, we can achieve a more stable and successful environment for all, and profitability need no longer be a dirty word in insurance.

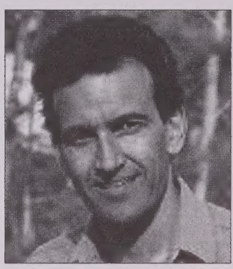
Of course, whatever tomorrow brings, some things remain certain. The special contribution of Lloyd's will always be its flexibility and adaptability. And our market's commitment to Canadian businesses will continue.

Thank you for listening.

The appreciation of the meeting was expressed by George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.



Lord Peter Levene, Chairman, Lloyd's of London, John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada, Richard E. Clark, Partner, Stikeman Elliott and John Chambers, Underwriter and Director, Non Marine Property, Aegis Energy Syndicate 1225.



May 27, 2004

Ted Barris

Author, Broadcaster and Professor

JUNO, WHERE CITIZEN SOLDIERS FROM CANADA MADE HISTORY

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; Laura Swan, Grade 12 Student, North Toronto Collegiate Institute; Major The Rev. Canon Ken Maxted, OMM, CD, Chaplain, Royal Canadian Military Institute; Major. William A. Duncan, CD, Member of the Argyll and Sutherland Highlanders of Canada in WWII, Retired Chief of Personnel, Canada Post and Honorary Director, The Empire Club of Canada; Rudyard Griffith, President, Dominion Institute of Canada; Robin V. Sears, Director, The Empire Club of Canada; MGen. Bruce J. Legge, CMM, CM, KSt.J, ED, CD, QC, Former Major, General Reserves, Former Colonel Commandant, The Logistics Branch, Partner, Legge & Legge and Past President, The Empire Club of Canada; and Mike Mallott, History Instructor.

Introduction by John Koopman

Tom Brokaw, in his book "The Greatest Generation" paid homage to the men who came of age during World War II. He argued they were the greatest generation ever and that no society ever produced a generation so united by a common purpose and common values such as honour, service, patriotism and responsibility for oneself.

As Europe darkened in the late '30s, Winston Churchill understood what would be asked of this generation. He said: "When great causes are on the move in the world, stirring all men's souls, drawing them from their firesides...we learn that something is going on in space and time and beyond space and time, which, whether we like it or not, spells duty."

War is the business of young men, and in 1940 the western world turned toward its young to carry the heaviest burden. These young men understood what was required of them and willingly volunteered for duty.

At a time in their lives when their days should have been filled with innocent adventure, love and the work-a-day lessons of the world, they were fighting across bloodied landscapes from old Europe to the coral islands of the Pacific. They answered the call to save the world from two of the most monstrous tyrannies ever seen.

Many did not return. The poet A.E. Housman caught their emotions in verse:

Here dead we lie because we did not choose
To live and shame the land from which we sprung
Life, to be sure, is nothing much to lose;
But young men think it is; and we were young.

Can one generation really be greater than another? We will never know. What we do know is, as Franklin Roosevelt said, it was this generation that had a rendezvous with destiny. Because of the sacrifices made by this generation, we will happily never know how my generation might have responded to a similar challenge.

Our guest today is going to talk to us about a very particular slice of one of the seminal deeds of the greatest generation—the D-Day landings on June 6, 1944. D-Day saw a vast allied armada deliver 150,000 soldiers to the shores of Normandy. Fifteen thousand of the soldiers that day were Canadian and most of them landed at Juno Beach.

Mr. Barris's recent book entitled "JUNO" is the story of those 15,000 Canadians. In it he describes not high military strategy, but what individual Canadian soldiers experienced in the air, at sea and as they landed on the sands of Juno beach.

Ladies and gentlemen, please join me in welcoming Mr. Ted Barris to the podium of the Empire Club of Canada.

Ted Barris

First, my thanks to the Empire Club for its kind invitation to speak here today. Some of you may know that last year this organization celebrated its centennial and among the ways the club observed the milestone was by way of a 100th-anniversary video. I had the pleasure of creating the script for that production.

One of the historical facts I discovered while researching the script was that the Empire Club, right from its inception, was a unique platform for its guest speakers. Monarchs, world leaders and every prime minister since John A. Macdonald have spoken on the Empire Club stage to offer predictions, pronouncements and political points of view. For 101 years the Empire Club has been Canada's speakers' forum of record.

I'm here today to talk about a generation of Canadians, that 60 years ago, gave every person who ever gave a speech here (since 1945) the freedom to do so.

It was the generation of Canadians, that, on June 6, 1944, joined the greatest amphibious invasion force in history to take back Nazi-occupied Europe. The liberation of northwestern Europe would all begin with a 24-hour dash from the south coast of England across the 100-mile wide English Channel to the beaches of Normandy. It would involve more than 7,000 naval vessels (110 of them Royal Canadian Navy ships). It would be supported by thousands of bombers, fighters and reconnaissance aircraft (including scores of squadrons from the Royal Canadian Air Force). And at the tip of the spear would be nearly 200,000 assault troops, 15,000 of them Canadian infantrymen and nearly a thousand Canadian paratroops, all focused on about 10 miles of Normandy beach, code-named JUNO.

That was the big picture. It was the picture that commanders, generals and historians tend to paint. It was an important picture, yes. But I contend (in my book, "Juno:

Canadians at D-Day, June 6, 1944") that it was the many individual acts of courage and survival that made the big picture happen. In other words, as one D-Day survivor told me: "You're not concerned about the big things when you're a private in the infantry. You're mostly interested in the sight you have in front of you—the platoon's problems. You're not interested in the war's problems."

I want to make my point by showing you pictures and describing experiences of some of those ordinary Canadians who did an extraordinary thing on D-Day. They made the biggest gamble of the Second World War pay off. They succeeded in breaching Hitler's previously impenetrable Atlantic Wall. They took the first deadly steps into an occupied Europe to free its oppressed citizens. They did the work of volunteer citizen soldiers in a cause they felt was as important as their father's cause in the First World War. They fought what American journalist Studs Terkel later described as "the good war."

Who were the Canadian citizen soldiers on D-Day?

One was Robert Dale, an RCAF navigator, standing there in front of one of the legendary plywood Mosquito fighter-bombers. Navigator Dale had been on scores of bombing and strafing operations over occupied Europe in 1942 and '43. In fact, he had already completed two full tours of duty and earned a Distinguished Flying Cross. He could easily have requested repatriation to Canada. Instead, in May of 1944, he agreed to fly critical weather reconnaissance sorties. Sunday, June 4, 1944 turned out to be among the most memorable.

I offer an excerpt from my book:

> *Just after 2:30, navigator Bob Dale and his Mosquito pilot partner, Nigel Bicknell met in the ops room of RAF Station Wyton for a briefing on the day's solo operation. The duo was to fly a weather reconnaissance pattern east from central England, out over the North Sea, inland over Holland, south and west across the northern coastal*

region of France, south as far as Brest, then a final leg back across the English Channel home to RAF Wyton as quickly as possible. The chosen route was nothing out of the ordinary for either the Mosquito crew or any German defenders who might observe the aircraft on their radar. Along the route of roughly 1,000 miles, the duo was directed to make standard weather recordings and report their findings in a debriefing when they landed later that day.

As ordered, airmen Bicknell and Dale directed their Mosquito out over the Channel en route to Holland and then southward across France. They climbed up through the heavy cloud cover, entering clear sky above 20,000 feet. All along the flight path they recorded the cloud thickness, winds and the conditions below the ceiling of the weather system.

"We saw the front at its maximum intensity, low cloud and rain," Dale said. "We marked front stems on our chart…They wanted to know the height of the cloud and the cloud base. So we went down and figured we were in solid cloud at 8,000 feet or so. Then down to the base at about 500 feet…The weather was really bad."

After three hours' flying time, the duo was back out over water, the Bay of Biscay, off northwestern France and heading home across the Channel. However, instead of returning to RAF Wyton, the Mosquito was diverted to RAF Ford, a fighter station on the south coast of England. Immediately after landing, Dale remembers being hustled into a room and plugged into a telephone conference call. There were few pleasantries, just a short and to-the-point debriefing of the crew's findings. In a few minutes the Canadian navigator had given his superiors details of cloud height, thickness and weather conditions associated with the system.

"I got the feeling they already had the picture of things in their minds," said Dale, sensing a resignation among the officers' voices on the other end of the phone line.

"We just confirmed their thoughts about what conditions would be like in the next 24 hours over the Channel."

Dale's weather readings were apparently confirmed by other reconnaissance aircrews up that afternoon and by Royal Navy vessels strategically positioned at points around the British Isles. Strong southwesterly winds were now blowing over the English Channel. Cloud and rain were lying low along the coast of western Europe. All the weather data seemed persuasive. General Dwight D. Eisenhower officially confirmed that the invasion would not happen as planned. A coded message, "Ripcord plus 24," was issued. Canadian Bob Dale didn't realize it immediately, but his weather information had helped determine that D-Day for June 5 was off for at least 24 hours.

If the gravity he heard on the telephone line during his stop at Ford fighter station hadn't told Bob Dale that big things were about to happen, what Dale saw when he got back to his Wyton air base later that afternoon certainly did. As he and Bicknell taxied their Mosquito to a stop on the flight line, they saw that the station was a hive of activity. It seemed that ground crews surrounded every aircraft on the tarmac. But they weren't conducting their regular rigger and fitter duties.

"They were starting to paint black and white stripes on the wings and fuselages of all the aircraft," Dale said. And he knew these zebra stripes were a definite signal. "This was it."

Here's another citizen soldier who was just concerned with the few feet of war in front of and on either side of him. Royal Canadian Navy Stoker Ray Mecoy.

Despite the reported swells of five and six feet and nearly gale-force winds on the English Channel on Sunday, June 4, it wasn't the weather that bothered Ray Mecoy. At the beginning of the war he'd worked in an electronics factory building anti-submarine technology. By 1942, he'd joined the Canadian Navy and served as a mechanic, welder and boiler cleaner before becoming a stoker aboard HMCS Fort William, a Bangor-class minesweeper in April 1943. It would be his job to clear the English Channel of German mines in the dark on the eve of D-Day. That didn't scare him, however. What bothered Mecoy most was what his captain and a navy chaplain had said at Sunday service that morning as they laid out generally what was going to happen on D-Day, whenever it occurred.

Another book passage:

"(We) figure two-thirds of all the ships in the invasion are going to be hit (and) won't make it back," Mecoy remembered them saying. "There's a good chance you're going to end up in the water and nobody is going to pick you up right away. You'll be on your own."

Stoker Ray Mecoy remembered that HMCS Fort William set sail late in the afternoon of June 5. As it moved toward the middle of the English Channel the flotilla began to spread out into a formation for sweeping its allotted section of water—approach channel number three—roughly 1,200 yards in breadth. Each sweeper plied the channel 800 yards astern and 200 yards to port of the ship ahead. At 7 o'clock that evening the 31st Canadian Minesweeper Flotilla entered the minebelt.

"First we'd swing the (Oropesa) float (tethered to the stern of sweeper) with underwater fins out several hundred yards from the ship," Mecoy said. "A sweep wire dragging under the surface of the water was razor sharp and it would saw through the cables anchoring the (German) mines. And the mines would come up to the surface…Normally, once we had done the sweep, we'd come back to blow the mines up with fire from the Oerlikon (guns) or we'd put enough holes in them that they'd sink. But not on D-Day…"

The planners had decided that detonating the mines *would draw too much attention to the sweeping activity. So orders stated that the crews were to allow all mines that floated to the surface to drift out of the approach lanes by the strong English Channel current. To ensure the safe passage of the thousands of assault ships that would sail through the lanes just a few hours later, British trawlers followed the sweepers dropping lighted Dan buoys at half-mile intervals along the borders of each channel.*

The entire operation depended upon absolute precision. Correct navigation through every mile of each channel put tremendous pressure on the sweeper crews. Also, the Dan buoys had to go overboard at the correct moment, each with two 175-pound weights tethered to about 600 feet of wire. The entire operation went on in complete darkness. In addition, if at any time the flotilla encountered German warships, Operation Neptune orders prescribed that the sweep had to be continued without deviation no matter what opposition confronted them. There was no room for error, because by the time the sweepers and Dan layers had completed their fifth mile, the first invasion landing craft would be entering the channels they had created.

By 5 a.m. the work of the sweeping-Dan-laying tandems was done and all ships in those vanguard flotillas were headed to their anchorage stations.

"When I came up off my watch, we were anchored," Mecoy said. "I came on deck to see what was going on and all I could see were all these ships going the opposite way we were facing. Of course, they were on their way in to the beaches."

Despite the dire predictions of two-thirds losses, that Mecoy's superior officers had made at Sunday church service, not one sweeper was lost that night.

Even as the thousands of zebra-striped Allied bomber, fighter and reconnaissance aircraft took off on their June

6 D-Day operations, one group of Canadians was already on the ground in France. Here's one of them. Mark Lockyer was a paratrooper in the First Canadian Parachute Battalion. It was the battalion's job to secure or destroy the bridges over the rivers and canals to the east of the Normandy beaches to prevent or slow down the inevitable German counter-attack against the troops landing on Utah, Omaha, Gold, Sword and Juno beaches.

Another excerpt from my book:

> *Born in 1924, on a 125-acre farm in Whitby Township north of Lake Ontario, and the youngest of three sons, Mark Lockyer generally got the hand-me-down jobs, including moving hay bales to the highest point in the hip-roof barn, some 50 feet off the ground. Heights never bothered him.*
>
> *Not advancing beyond Grade 10, when the war broke out, Mark chose to stay and help out on the farm. He might have stayed there in an essential service, except that when Lloyd Brush, his older sister, Dorothy's husband, was taken prisoner in the ill-fated Dieppe raid, Mark knew he had to enlist, even if he was only 17. When he joined the 1st Canadian Parachute Battalion, they accepted him, but wouldn't send him overseas with the rest of the battalion because he was underage. Instead they sent him to Wainwright, Alberta, for an additional training course.*
>
> *When he finally turned 18 and was allowed to join the battalion in England, Pte. Lockyer had his jump wings, was a trained sniper and had additional expertise in the use of explosives. He joined 'B' Company during the final preparations for the jump into Normandy. The paratroops with which Lockyer jumped, would have the responsibility of reconnoitering, seizing and destroying a small but strategic bridge over the River Dives near the village of Robehomme. They would rendezvous at the objective in the middle of the night and with the assis-*

tance of Royal Engineers (carrying explosives) would then destroy the bridge. The objective was to stop or slow down any mechanized counter-attack by German tanks on the Allied left flank.

Though he knew he was just another citizen soldier, Pte. Lockyer treated every aspect of a jump professionally. Each step went like clockwork.

"Once out, you got rid of the pack on your leg," he said. "It was tied in two places with a slip knot, that let the pack down to the end of a 20-foot rope. That'll tell you where the ground is as you come down…In my case, though, I hear a splash and think 'Oh-oh, water.' So I had my hand on the harness release, because if the water below is going to be deep, I want to get the hell out of that harness."

Despite his worst fears, when he hit the water his descent stopped when his jump boots hit terra firma about four feet beneath the water's surface. Oddly, he felt at home. The ground was mucky, but grassy. It was farm pasture. But for as far as he could see in the darkness, there was water. He quickly released his chute, retrieved the waterproof kapok container with his Lee Enfield rifle inside and faced his next challenge. Where was Robehomme? Where was the River Dives? And the bridge they were supposed to destroy?

Singly and in groups of two and three, members of Lockyer's group collected what weapons and ammunition they could muster and set out for their D-Day objective, the Robehomme bridge over the River Dives. By 2 o'clock, in the darkness, about a dozen paratroopers had rendezvoused at the bridge, but the entire party had to sit tight until the designated demolition crew of Royal Engineers arrived to complete the mission. It was nearly 3 o'clock and none of the sappers had arrived.

"Anybody worked with plastic high explosive?" an officer asked.

"I have, sir," Lockyer said. Not only did he know about

PHE, Lockyer had trained others back in Wainwright how to use it. It would now be up to him to find enough explosive on hand, place it correctly along the two supporting girders of the bridge and cripple or destroy the crossing.

As Pte. Lockyer gathered about 30 pounds of PHE and the explosive from some disarmed Gamon bombs and grenades, a Royal Engineer arrived and the two men worked to prepare the bridge for demolition. In fact, at one point, the engineer stood on Lockyer's feet so that he could dangle over the edge of the bridge and tape the explosive along the bridge supports. Within 20 minutes, they had strung out explosive wire and warned everybody to take cover.

"Okay, Canada," the Royal Engineer said, "it's yours."

At 3 a.m., Lockyer pushed the plunger. When the dust cleared, the I-beams had been broken and the centre of the bridge had collapsed down on itself making it impassible.

Here are two more citizen soldiers. Fred Barnard and his younger brother Donald had grown up with a group of friends in East York (in Toronto). Unlike the "Saving Private Ryan" movie scenario, in which U.S. military leaders attempted to keep family members from serving in the same theatre of war, the Canadian army actually encouraged fathers and sons, or brothers to serve together. (I guess the notion was that a unit would have more cohesion and exhibit a stronger *esprit de corps* with blood relations together in it.) At any rate, soon after Fred Barnard joined up, his brother Don did the same and Fred requested Don be transferred into his company with the Queen's Own Rifles of Canada regiment. They went into Juno Beach together in the first wave on D-Day.

Another excerpt:

When the front ramp dropped on the Landing Craft Assault containing No. 12 Platoon from 'B' Company, Corporal Fred Barnard was about half-way back. Joining *him in the leap into waist-deep water in front of Bernieres-sur-Mer were his younger brother, Rifleman Donald Barnard, and his childhood friend, Rifleman Gordon Arthur. The three had all grown up together on the same street in east-end Toronto. But this wasn't Sutherland Avenue in East York.*

"As we were going down the ramp," Fred Barnard said, "I yelled to my brother, 'Give 'em hell.' And the next thing I know I'm in four feet of water."

Immediately in front of him, and his only concern in those first few moments, was the maze of obstacles that sat exposed by the low tide. Barnard quickly realized that the mines on the hedgehogs were the source of the explosions around him. There seemed to be continuous explosions as several of the Queen's Own landing craft triggered the mines. As he reached dry beach, he saw one of the youngest men in his platoon, a 19-year-old whose stomach had been cut open by shrapnel. Ahead of Barnard, his chum Gord Arthur had made it to some cover.

"Then I saw my brother Don lying on his back as if he was asleep," Barnard said. "There was just a black hole in his uniform right in the middle of his chest. No blood. He must have died instantly."

While he had scored best marksman in the company, 20-year-old Don Barnard hadn't been able to get off a single shot. Just 23 himself, what Fred Barnard experienced in his first moments ashore might have been enough to paralyze him with fright on the spot. Despite his shocked condition, though, he knew he couldn't delay, not even long enough to drag his brother's body with him. 'B' Company had come ashore 200 yards east of its intended landing, directly in front of the main (German) resistance nest at Bernieres. Within the first few minutes of the engagement, the company suffered 65 casualties.

One last story of a citizen soldier on June 6, 1944 and it's the story of a Canadian contribution on D-Day that has gone unheralded, indeed unnoticed.

This is a single frame of motion picture film shot during the assault at Bernieres-sur-Mer made by the Queen's Own Rifles (Fred and Don Barnard's regiment). It is perhaps the most famous piece of D-Day movie film taken. It is generally included in any documentary portrayal of the Normandy landings. The viewer sees the infantrymen readying themselves in the last seconds of the run-in; (one man pats the back of the soldier ahead of him, the hand clearly shows a wedding band). The landing craft doors swing open. The seawall and beachfront houses appear in the bright June sunlight. And then the riflemen sprint down the ramp across the sand and into the defenders' fire. As Sir John Keegan describes it in the foreword of my book "The footage is one of the most graphic depictions of combat ever recorded."

What makes the movie footage even more compelling is the story behind the story. Current wisdom (in fact, the details recorded in history texts and most military diaries) is that this famous footage was shot from a camera mounted or attached to the rear wall of the landing craft and that the camera was merely triggered by the free hand of a seaman aboard the navy landing craft. I wasn't quite satisfied with that story, so I tracked down the wife of this man, Capt. Ken Bell (whose 35 mm still photographs of Canadians on D-Day and beyond now comprise the heart of the National Archives wartime collection in Ottawa). Ken's widow Mary Lea Bell couldn't tell me definitively that the footage was from a fixed camera, but she thought Ken had said so.

Mary Lea Bell did, however, direct me to Chuck Ross, another cinematographer in the Canadian Film and Photo Unit that went in with the troops on D-Day. They were volunteer soldiers recruited to serve in the publicity arm of the infantry. When I reached Pte. Ross in Edmonton I asked him to describe the movie cameras they used on D-Day. He said they were 35 mm Bell and Howell Model-Q Eymo cameras. He said the cameraman wound up the camera with a key like a child's wind-up toy. That powered the film through the camera gate behind the lens.

"How much shooting time would each wind-up give the cameraman?" I asked.

"About 35 or 36 seconds," Ross said.

"That's it. Only half a minute's worth of shooting," I said with surprise. "What do you think of the belief that this famous landing footage was taken by a mounted camera at the back of the landing craft?" I asked.

"Not true," Ross said. "It was shot by Sgt. Bill Grant."

And Chuck Ross proceeded to tell me how his colleague Bill Grant had set up several times during the run-in to film men preparing, waiting and (as the doors swung open) leaving the landing craft. Ross told me that Grant then scooped up his camera, tripod and two more rolls of unexposed film and scrambled ashore with the troops, seeking cover among the sand dunes in front of Bernieres-sur-Mer. There on the beach and then shortly afterward in the village, he shot the rest of his movie film. Grant then packed the exposed film in tins that were marked "Press—Rush by whatever means possible—To Ministry of Information, London."

"Is there any way to verify that?" I asked Chuck Ross.

"Sure can," Ross answered. "You can call the man who edited the film, Staff Sgt. Ken Ewart."

When I contacted Ewart in Fort Saskatchewan, Alberta, he told me that yes he remembered receiving the D-Day landing film cans, clearly marked with Bill Grant's name on them. It was Ewart's job to clear the footage with the censors, cut together a sequence from the raw footage, and then pass it along to a script writer, who added the voice-over description of the assault for the final 60- or 90-second newsreel story.

To complete my detective work on the true story behind this most famous D-Day film footage, I received a letter from a journalist friend, who related a conversation she'd had with a D-Day dispatch rider, motorcyclist Brian O'Regan. In the letter, O'Regan states: "I picked up a white-taped aluminum can containing cine reel number one by Sgt. Bill Grant and got it to the beach movement control officer for transport to England."

Within 48 hours (by Friday, June 9, 1944) the Newsreel theatres in England, Canada and the U.S. were showing audiences the first images of the D-Day invasion landings in France. The irony, however, was that as Britons, Americans and Canadians viewed these famous sequences of the D-Day landings, little or no mention was made that the troops were Canadian, that the landing area was in the Canadian sector at Juno Beach and the cinematographer was Sgt. Bill Grant of the Canadian Film and Photo Unit.

A Canadian photo-journalist had scooped the world press and even historians (60 years later) had overlooked or never bothered to document his achievement. I am fortunate to have been given the gift of veterans' memories to correct that oversight.

Exactly 10 days from today, I will be walking on the sand in front of Courseulles-sur-Mer, France, the same part of Normandy that more than 15,000 Canadians stormed 60 years ago. I will walk there on the beaches, in front of the brand new Juno Beach museum and interpretive centre (built principally by veteran donations).

I will walk there casually, quietly and freely.

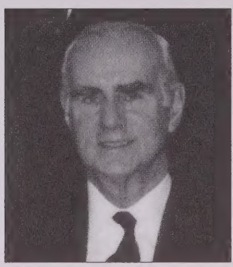
And I'll be able to do that because many of my father's generation—a bunch of 19 and 20-year-olds—chose to become citizen soldiers until Europe was free again. And this June 6, I'll be able to re-tell some of that remarkable history because people such as RCAF navigator Bob Dale, RCN stoker Ray Mecoy, Canadian paratrooper Mark Lockyer, Canadian infantrymen Fred Barnard and Canadian army photographer Bill Grant chose to serve their country in what they believed was a noble cause.

They served. They succeeded. And we are the beneficiaries of that service and D-Day victory.

This veteran's son... This speaker's forum of record... This nation, Canada... We all must never forget.

The appreciation of the meeting was expressed by Robin V. Sears, Director, The Empire Club of Canada.

Major William A. Duncan, CD, Member of the Argyll and Sutherland Highlanders of Canada in WWII, Retired Chief of Personnel, Canada Post and Honorary Director, The Empire Club of Canada, Ted Barris, Author, Broadcaster and Professor and Mike Mallott, History Instructor (Ted's elementary teacher).



June 7, 2004

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Henry N.R. Jackman

Honorary Chairman, The Empire Life Insurance Company Canada and The Dominion of Canada General Insurance Company and Former Lieutenant-Governor of Ontario

WHY CANADIAN BANK MERGERS ARE NOT IN THE NATIONAL INTEREST

Co-Chairman: **John C. Koopman**
President, The Empire Club of Canada

Co-Chairman: **Rod Phillips**
President, The Canadian Club of Toronto

Head Table Guests

Gareth Seltzer, CEO, TWS Private Management Inc. and Past President, The Empire Club of Canada; Bob Johnstone, Senior Advisor, Canadian Institute of International Affairs and Former Deputy Minister, Government of Canada; Robert M. Macintosh, Author and Past President, The Canadian Bankers Association; Doug Gould, President, Canadian Institute of International Affairs; Bluma Appel, Philanthropist, Director, the St. Lawrence Centre for the Arts and President, Appel Consultants; Doug Hogeboom, President and CEO, The Empire Life Insurance Company Canada; Ivan McFarlane, Vice-President, Community Information Toronto and Director, The Canadian Club of Toronto; Linda Frum, Author and Journalist; and

George L. Cooke, President and Chief Executive Officer, the Dominion of Canada General Insurance Company.

Introduction by Rod Phillips

In 1998, then finance minister Paul Martin rejected proposals for two separate mergers between Canada's big banks.

One was between the Royal Bank of Canada and the Bank of Montreal; the other was between CIBC and the Toronto Dominion Bank.

At the time, the reasons for Martin's decision seemed straightforward. Canadian public opinion appeared to be clearly against the mergers.

Furthermore, the finance minister concluded that the mergers would not be in the public interest as they would result in:

- Too much concentration of economic power in the hands of too few financial institutions;
- A reduction in competition in the Canadian financial services sector; and
- A reduction in the Canadian government's flexibility to address future concerns.

Since 1998, Ottawa's official policy on bank mergers has been in limbo.

A Senate report two years ago concluded that mergers ought to be allowed with certain conditions.

Our current finance minister, Ralph Goodale, had planned to deliver a policy by the end of June, a deadline that has undoubtedly been extended by the current election campaign.

The banks, meanwhile, continue to push for the right to merge.

Most recently, talks have been reported between the Bank of Montreal and Bank of Nova Scotia aimed at creating a single bank that would be the biggest in the country.

As well, there are arguments being advanced for allowing compromises in the form of what are being called "cross-pillar" mergers, which would see banks join forces, not with other banks, but with big insurance companies.

The argument in favour of mergers of any kind is straightforward.

Canada's big banks are key to the success of the country's economy and in a competitive global economy where other financial institutions keep growing, they have been prevented. The banks' ability to merge and to grow is key to their survival, and key to the continued growth of Canada's economy.

That, as I say, is the argument in favour of mergers. There is an argument against. Our guest today is here to present it.

The Honourable Henry (Hal) Jackman is a man known both for his success in business and his dedication to public service.

He is a business owner, a former chairman of National Trust, and a former director of the Bank of Nova Scotia.

In addition, Mr. Jackman served as lieutenant-governor of this province from 1991 to 1997.

He is an officer of the Order of Canada, a member of the Order of Ontario, and a member of the Canadian Business Hall of Fame.

Hal Jackman believes that bank mergers, as they are currently conceived, are a bad idea—bad for Canada, and bad for the banks themselves. He is here today to tell us why.

Ladies and gentlemen, on behalf of the Canadian Club of Toronto and the Empire Club of Canada I am proud to welcome to our podium today former lieutenant-governor of Ontario, the Honourable Henry "Hal" Jackman.

Hal Jackman

Mr. Chairman, thank you for giving me the opportunity to speak to the combined Empire and Canadian Clubs on the subject of bank mergers. For those of you in the financial services industry, this topic must rank as Canada's longest-running soap opera. It is now into its seventh year. For it is now over six years ago that the Royal Bank and the Bank of Montreal first announced their plans to merge.

Since that time we have had two sets of parliamentary committee hearings by both the Senate and the House of Commons finance committees, two white papers, the Mackay Report on the financial services industry, and some inconclusive legislation.

None of these reports or initiatives rejected mergers outright. But neither did they allow mergers. In short, they decided nothing.

To paraphrase Winston Churchill:

"Never in the field of human conflict, has so much been written, or so much been said by so many, to such little purpose."

The banks are arguing that they need to merge in order to compete effectively and make acquisitions abroad.

Those who oppose the mergers point out that this is not the issue, as the Canadian government imposes no restrictions on expanding abroad or raising capital for that purpose. Opponents of the mergers feel that the real reason to merge is simply to reduce competition here at home.

Most of the discussion and debate has had very little to do with substance. It has much to do with the process as to how a decision can be arrived at.

The sticking point appears to be what has been described by the government as satisfying a "public interest assessment," which is an elusive, and ill-defined requirement which to date neither the banks nor the government has been able to explain to each other's satisfaction.

When in 2002, according to the press, two more mergers were turned down, one involving a major life insurance company, the banks requested clarification from the government as to what were the requirements of this "public interest assessment." In short, they really wanted to know where they stood.

In October 2002, the Senate and House finance committees once again were asked to provide input as to the definition of the all-important "public interest assessment."

After extensive public hearings, the government in June of 2003 repeated again that "the government believes that there is a need for a broad public interest review of any bank merger proposal that goes beyond OSFI and competition bureau mandates."

This of course says very little. The above would seem to be a maximum amount of talk with a minimum amount of resolution. However if one reads between the lines of all the government statements on this subject, it is not hard to understand the government's real meaning.

I would respectfully suggest that the process is much like a teenage boy asking the prom queen for a date. The girl says, "Well, I am busy this weekend, but perhaps later."

The swain persists and asks her again. The prom queen makes other excuses—says she is babysitting, spending time with her parents, or is otherwise engaged. This goes on for several months, but our young hero has still not got a date.

What is happening here is something that everyone in this audience can understand. The girl does not really want to go out with the boy, but she does not want to hurt his feelings. She desperately hopes that he will take the hint and stop calling her.

This exactly describes the relationship with our Canadian banks and the federal government. The federal government does not want to be seen to reject a merger entered into ostensibly by free market forces. Yet for obvious political reasons it does not want it to happen.

They do not want to say no; they simply want the banks to take the hint and go away.

Although the government has paid lip service to its intention to clarify the public interest assessment, I do not expect that any guidelines they may come up with will be sufficiently clear to give the banks much comfort. The government is still committed to a review by the parliamentary committees. The government of course cannot predict who will make representations to these committees. They cannot predict what the public reaction will be. The "public interest assessment," whatever that may mean, will ultimately be clarified only by the MPs, who of course will be influenced by the vagaries of public opinion.

From the government's point of view it is not difficult to understand why it wishes to be vague in defining the merger guidelines.

Bank mergers obviously involve considerable political risk. The government does not want to set a merger timetable when they cannot predict the political fall-out. They would far rather have the banks themselves define the public interest assessment, and if the banks are shot down by the court of public opinion or by a parliamentary committee, so be it. In other words, the political risk will be transferred from the government to the banks themselves. Having stated more than once that the onus is on the banks themselves to define public interest, the banks have still been most reluctant to make a case as to why such mergers are in the interest of the average Canadian—and not just to the banks themselves.

In 1998 the most effective advocate against the mergers was Peter Godsoe, then chairman of the Bank of Nova Scotia, who almost six years ago made an excellent speech to this club on September 14, 1998 entitled "Why bank mergers are not in the national interest."

Peter Godsoe has been my mentor in this field and many of the points I am attempting to make here were made persuasively by Mr. Godsoe, now some six years ago.

In his introduction he stated that: "There is no case to support mega mergers. To the contrary, mega mergers are highly anti-competitive and represent a high risk, irreversible policy option....They increase concentration in Canada to levels not seen anywhere else in the world."

He pointed out that mergers would mean serious cuts in employment in branches, regional and head offices. Mr. Godsoe reported that the Bank of Canada and a number of federal reserve reports concluded that there was no evidence to support arguments that the banks have to be mega institutions to achieve economies of scale. He pointed out that the Bank of Nova Scotia had a lower cost ratio than the Royal Bank, which was then twice its size. Mr. Godsoe expressed a genuine concern about the pricing structure under a near-monopoly situation, comparing our country with California where there had been considerable concentration through mergers. In California, deposit rates for consumers were lower than anywhere else in the United States. The same could happen here. He expressed the concern that over 64 per cent of small businesses were opposed to mergers. Mergers meant less choice and less access to capital for Canada's small business.

Empirical evidence has suggested that profit margins for the domestic banking industry are probably higher in Canada than in other western countries. This was confirmed by Mr. Godsoe's 1998 statement that the rate of return on Canadian banks' domestic business was then well over 20 per cent. This compared with the average overall total ROE of our five big banks of only 14 per cent to 15 per cent in 1998. In other words, Canadians are perhaps being asked to subsidize the lower returns achieved by our banks' investments in the United States and other countries where results are generally less satisfactory.

The banks have also contended that they need a larger domestic base in order to compete internationally, particularly as more and more of our companies are becoming international in scope. I should remind this audience again that there is no restriction in the bank act against our banks competing abroad, nor is there any restriction on them combining their international operations to compete abroad as long as they keep their domestic operations separate.

Similarly it is obvious that a merger in itself does not create capital that can be used to make foreign acquisitions. If two banks of equal size merge they may double their capital, but their liabilities also double as well. If they really want capital to go abroad they will still have to raise additional capital, either through a holding company structure, sale of treasury shares, or otherwise.

It is simply not true to suggest that the ability to expand internationally has anything to do with a large domestic base. Some of the largest international banks come from very small countries with small domestic markets. Holland, Switzerland and even Hong Kong are cases in point. Banks from these countries have expanded internationally precisely because there was so little room to expand in their home market.

One can only assume that one more "in market" merger, which might take up to five years of management's time to implement—time which might have otherwise been spent looking at foreign opportunities—will impede rather than enhance their foreign presence.

Then there is the argument that mergers are happening all over the world, so why should this option be foreclosed on us? It is simply not true that "in country" mergers are allowed in other countries where banking concentration approaches Canadian levels.

In Canada the top-five banks have 77 per cent of total deposits. The comparable figure for the top-five banks in Australia is 74 per cent, in France 62 per cent, in Switzerland 58 per cent, Spain 47 per cent, Germany 19 per cent, United kingdom 35 per cent and the United States of America only 26 per cent.

What is the public reaction in these countries towards further concentration of domestic banking? In the U.S.A., no bank may have more than 10 per cent of FDIC insured deposits. In Australia mergers were stopped in 1998. In the United Kingdom a major bank combination merger was stopped in 2001. In France in 2003, two major banks were allowed to merge their investment banking and international functions, but their retail banking networks remained separate.

This is a formula that might also be applied to Canada, if our banks could get their focus off domestic concentration.

The truth of the matter is that if we allowed domestic mergers, we would be the odd man out. We would be acting contrary to what the rest of the world thinks about the necessity to encourage competition in our home market.

In spite of all of this, why then do the banks want to continue their quixotic quest? It is not about gaining the size to compete more effectively abroad. The government has already said they can expand abroad.

There are however other reasons why the banks want to merge.

Mergers of all kinds of course are very popular with the financial community. They generate huge fees to the investment banking industry and their captive law firms, accountancy firms, etc.

Mergers are always accompanied by increased pay to the CEOs of the acquiring company, golden parachutes, vesting of options and a whole host of goodies which trickle down through the financial community, the cost of which appears to be capitalized under "generally accepted accounting principles."

The chief executive of one bank-owned investment dealer told me that he could make any merger, any acquisition, earnings accretive to the buyer, no matter how high the price. All he had to do was to get the auditors to write up the goodwill and intangible asset account.

Peter Godsoe pointed out the artificiality of such "accounting gains" in his April 1998 issue of the Scotia Banker, which was circulated to all BNS employees.

At the same time, the professional investment managers of mutual and pension funds remain obsessed with their own quarterly performance, by which they are judged. This indirectly puts an almost impossible pressure on corporate managers to perform. At the same time, the average life span of a CEO seems to be shortening—perhaps to as little as three or four years.

It is therefore not enough for a manager to grow his business organically or incrementally in order to satisfy the investment community. A bank CEO may be reluctant to use his excess capital in opening branches when the payoff is perhaps three or four years down the road.

Bankers, like other CEOs, need a "defining transaction" on their watch, which can be part of their legacy.

What the bankers want is a merger where goodwill and intangible assets resulting from the merger, including the transaction fees, restructuring and redundancy costs, and even potential loan losses are capitalized and in some cases are never written off at all. This of course allows the acquiring company to claim that the merger actually is earnings accretive.

Although our Canadian bank CEOs all make between $9 and $12 million per year, they are not immune to the blandishments and perquisites that running an even larger bank may offer. After all, the chairman of Citigroup has made, in a good year, over $130 million.

In 1998, Hugh Brown, perhaps Canada's most respected bank analyst from Nesbitt Burns, indicated that the four CEOs of the 1998 proposed merging banks then stood to make over $100 million, according to the banks' proxy material. One of them would have made as much as $40 million. These figures are of course in 1998 dollars when executive compensation was much lower. You could today probably multiply those figures by a factor of two or three.

Thus we have a compelling reason why the banks want to merge: to structure a transaction that can show accounting gains on the incumbent CEO's watch, with perhaps little regard for the long-term consequences that will be on someone else's watch.

If and when the bank mergers once again come to the table and reach the stage of parliamentary hearings, I would respectfully suggest that the public interest assessment be broadened to include other important issues.

The banks should be asked to answer the following questions:

What exactly are the profit margins on the Canadian banks' domestic business? How far are they out of line with margins in other industrialized countries? To what extent are Canadians being asked to subsidize the banks' American and foreign business? What effect would any contemplated merger have on this equation?

How independent are the non-executive directors, when in some cases, the majority receive loans from the bank, either directly or through their affiliates? What is the role of the non-executive directors of the bank in facilitating a merger transaction? Do they in effect actually choose the chief executive officer of the proposed combination, or is it the two CEOs themselves who define each other's role and compensation? Do the non-executive directors look at outside candidates for the job, which I would expect should be part of their mandate? What about the host of conflicts arising from the banks' ownership of our major investment dealers, when at the same time they are the largest players in the fiduciary, trust, investment management and mutual fund industries?

The conflicts here are enormous.

We do not have a national securities commission in this country. But since the banks are entirely under federal control, and since the banks now control over 65 per cent of all equity underwritings, it would seem to me that the federal government has a role here, which they are not fulfilling. At least this should be a major subject for discussion at the parliamentary committees when the effect of a merger is considered.

It is this genuine concern about dealer conflicts, that likewise makes it most inappropriate that our insurance industry, the last independent bastion of our nation's savings, should be allowed to fall under the domination of those who profit from purveying new issues.

I believe the committee should ask the banks as to what steps should be taken to correct the lapses of ethical conduct, which seem to be almost a weekly subject of comment in the press and for which, in some cases, the bank directors seem completely incapable of facing. There have been many stories regarding the structured partnerships in Enron, the loans to hedge funds clients to facilitate improper trading of mutual funds, the lack of due diligence or disclosure with respect to stock offerings, the fines paid to regulators, the court settlements to aggrieved investors; the list is too long to enumerate.

In short, I do not think bank mergers will happen now because it is not in the interest of the banks themselves to face the scrutiny that such a process would entail.

The question remains will mergers ever happen? Well, the one thing we know is that change is always with us. Mergers may happen in Canada, but only if Canada decides to have a genuinely competitive financial system.

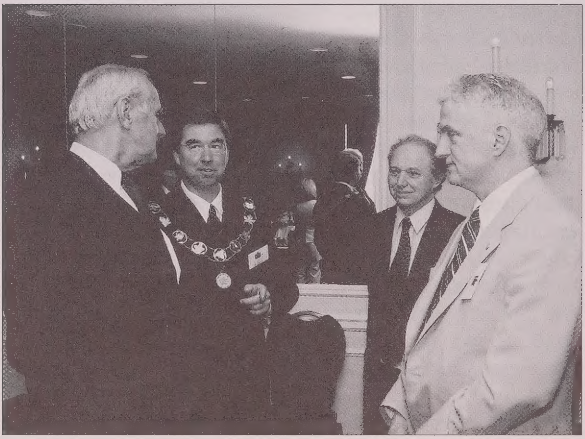
Our banks in Canada are a protected species. We do not really have a free market in banking services. The barriers to entry of foreign banks to operate retail networks in this country are still effectively with us, and since 1998 when the bank mergers were first seriously discussed, the market dominance of the big five has increased, rather than diminished.

Every change in the bank act or financial services legislation in the past 40 years has paid lip service to the idea of encouraging alternative choice. Yet for over 40 years the market share of our big banks has increased. I think the time has come, and even Senator Kolber, the banks' strongest proponent in the Senate seems to agree, that the playing field should be levelled and foreign banks should be allowed in on a basis at least as permissive as given to Canadian banks in other countries.

If Canada really wants to be part of an international community, we must bring our laws into accordance with our partners in the free world. Canadian bankers cannot have it both ways. If American and other world banks are to enter Canada on the same basis that Canadian banks can operate abroad, then and only then, should mergers be considered.

The issue in Canada is not really the number of banks we have, but whether the monopoly position given to the existing five with their high margins and their continued isolation from world competitive pressures in Canada should be allowed to continue—or whether our financial system should enter the 21st century.

The appreciation of the meeting was expressed by John C. Koopman, Vice-President, Spencer Stuart Canada and President, The Empire Club of Canada.



The Hon. Henry N.R. Jackman, OC, KStJ, OOnt, CD, LLD, Chairman, The Empire Life Insurance Company and Past President and Honorary Chairman, The Empire Club of Canada, John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada, Doug Hogeboom, President and CEO, The Empire Life Insurance Company and George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada.

June 10, 2004

Anne M. Mulcahy

President and CEO, Xerox Corporation

THE CUSTOMER CONNECTION: STRATEGIES FOR WINNING AND KEEPING CUSTOMERS

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Rev. Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada; Olivia Hannigan, Grade 12 Student, North Toronto Collegiate Institute; Rev. Vic Reigel, Honorary Assistant, Christ Church, Brampton; Doug Lord, President and CEO, Xerox Canada Ltd.; Thomas MacMillan, President and CEO, CIBC Mellon; Verity Craig, Principal, Carmichael Birrell & Co. and Director, The Empire Club of Canada; Dave McCamus, Former President and CEO, Xerox Canada Ltd.; Earle O'Born, President and CEO, The Printing House Ltd.; and Sharon Rudy, Vice-President, Spencer Stuart.

Introduction by John Koopman

It was the Xerox machine that slew the Soviet Union.

In the late '80s, a prominent scientist from the Soviet Union spent a sabbatical year at a western university. The Russian was the vice-president of the Soviet Academy of the Sciences. He was a member of the nomenklatura, a big cheese in Soviet life, he had his own chauffeur-driven limo, permission to travel abroad, and a dacha outside Moscow.

At the end of his sabbatical year a Canadian acquaintance asked what he would miss most about the West. "That's easy," replied the Soviet scientist, "The Xerox machine. Back home I spend days copying out articles from scientific journals."

Incredibly photo-copiers were one of the most tightly restricted privileges in the former Soviet Union. In a regime obsessed with the control of information a copier is a dangerous instrument. This attitude doomed the Soviet Union; it could never make the transition to the information age. You cannot have a knowledge-based economy without freedom of information.

The mighty Xerox machine had modest beginnings.

Xerography, as it was then called, was invented by Chester Carlson, who did all his research in the New York Public Library. To his wife's great aggravation, he conducted experiments in his kitchen.

But it was an invention nobody wanted. The National Inventors Council dismissed his work. IBM, GE, RCA, Kodak and 20 other companies turned down the opportunity to commercialize the invention. His wife, thinking she deserved some kitchen privileges too, left him.

Years went by and Carlson nearly dropped the idea.

A decade later a tiny company named Haloid agreed to try to develop the idea. The rest is history. Chester Carlson became a very rich man, although in the great American philanthropic tradition, he gave away most of his millions to charity.

Ms. Mulcahy was named Chief Executive Officer of what was Haloid and is now called Xerox, in July 2001. When she took over, Xerox was eyeball-deep in red ink and mired in controversy. Three years later the company is one of the great turnaround stories of the post-tech crash era. She has a BA in English from Marymount and joined Xerox as an entry-level sales representative in 1976.

Ladies and gentlemen, please join me in welcoming Ms. Anne Mulcahy to the podium of the Empire Club of Canada.

Anne Mulcahy

Thank you for that terrific introduction and thanks to all of you for your warm reception. It's a pleasure to be here and to see so many good and loyal Xerox customers in attendance. To all of you, thank you for your business. It's something we never take for granted, always work hard to earn and deeply appreciate.

Thanks also for being such a hospitable neighbour. Our partnership with Canada couldn't be stronger. One of our major research centres is located just outside Toronto and we consider it to be one of our crown jewels—a centre of innovation that helps keep us on the cutting edge of technology.

We're pleased also with the dramatic growth of our teleweb centres out in Halifax and St. John. Our operations there are helping to fuel Xerox growth throughout North America.

So, for a whole host of reasons, it's great to be in Canada.

It's been suggested that I speak on the subject of the "customer connection" and I'm delighted to do that. I began my Xerox career in Xerox sales. Some would say I never stopped selling Xerox—a charge to which I happily plead guilty.

Staying connected with customers is part of my DNA and I'm trying hard to keep it a part of the Xerox DNA as well. The founder of our company—a Rochesterian by the name of Joe Wilson—used to say: "Customers determine whether we have a job or whether we do not. Their attitude determines our success."

I believe that this legacy is what has helped us save Xerox from extinction the past few years. Unless you've been living on another planet, you undoubtedly know that Xerox has recently emerged from the worst crisis in our history. And we did it by focusing on the customer.

So I thought what I would do with our time together is:

- Give you a brief overview of the situation Xerox found itself in back in 2000.
- Briefly describe how we got out of it by focusing on our existing customers.
- Discuss what we are doing to keep those customers and attract new ones.

- And leave plenty of time to answer some of your questions.

Let's start with where Xerox was just a few years ago.

I was thrust into the leadership of Xerox in May of 2000. It seems like a lifetime ago. One of the first things I did was pick up the phone and call Warren Buffet to get his advice. He invited me out to Nebraska and over steaks at his favourite restaurant, he told me this: "You've been drafted into a war you didn't start. Focus on your customers and lead your people as though their lives depended on your success."

What a sobering thought! Oscar Wilde once said: "Nothing focuses the mind like the sight of the gallows." All of us at Xerox could clearly see our gallows being erected. The prospect of bankruptcy loomed over us. Revenue and profits were declining. Cash on hand was shrinking. Debt was mounting. Customers were irate. Employees were defecting. By May 11, 2000, the value of Xerox stock had been cut in half and was continuing to head south.

That was the day I was named President and Chief Operating Officer and typically the point in a talk like this when I would say that it fulfilled a life-long dream. In truth, it did not. This was clearly a case of the responsibility being thrust upon me. And I accepted it with equal parts of pride and dread.

Fortunately, I had not one but two aces in the hole. The first was a loyal customer base that wanted Xerox to survive. And the second was an incredibly talented and committed work force who loves Xerox and would do anything to help save the company and return it to greatness.

We went to work. We spent lots of time with customers, industry experts and employees, and most of that time was spent listening. Customers told us we had great technology, but our response to them had slipped badly. Industry experts told us our technology was leading-edge, but we had to focus on doing a few things extremely well. And employees told us they would do whatever it took to save the company, but they needed clear direction.

We laid out a bold and ambitious plan to turn Xerox around. The results have been stunning in both their magnitude and their swiftness.

We've taken more than $2.5 billion out of the cost base. We've outsourced major parts of our value chain—parts that can be done more effectively by others. We've dramatically reduced our debt by nearly $8 billion. In 2000, Xerox lost $273 million. In 2003, we made $360 million.

Everywhere you look today the signs are positive. This past year, we generated near-record amounts of cash from operations, significantly reduced both debt and cost, maintained gross margins and recapitalized the company.

Even more importantly, we brought to market an expansive armada of innovative technology and services, won market share in key segments of our business, grew equipment sales by 7 per cent and won scores of large customer contracts, many of them in direct face-offs with our best competitors.

Leading Xerox these past few years has been the opportunity of a lifetime. And in what may be the understatement of all time, I've learned a lot along the way:

- I've learned about the power of communications. You can't do enough of it.
- I've learned about the power of culture. You need to change the bad and leverage the good.
- I've learned about the need to articulate a vision of where you are taking the company. Employees especially need to know what they are signing on for.
- I've learned a lot about the power of leadership. Bad leadership can ruin a company overnight. Good leadership can move mountains over time.

- I've learned a lot about the power of people. Good people aligned around a common set of objectives can do almost anything.

But mostly I learned in a new and deeper way something we all know, but all too easily take for granted. The customer is the centre of our universe.

Forget that and nothing much else matters. Employees lose jobs. Shareholders lose value. The brand deteriorates. The firm spirals downward.

There are two pieces of research that speak to the value of customer service with stunning clarity.

Fact Number One: Across industries and around the world, if you can retain 5 per cent more of your customers than you currently do, your bottom-line profit will grow anywhere from 25 to 50 per cent.

Fact Number Two: It takes five times as much money and effort to attract a new customer as it does to retain an old one.

You're probably all nodding your heads in agreement. All of us in the business world know these things to be true. We instinctively know that the customer is the reason we exist. Yet we don't always behave that way.

That's one of the things that got Xerox in trouble a few years ago. We made some decisions that didn't have the customer in mind. We weren't listening to the customer as closely as we should. We started to take our customers for granted. And we learned a very powerful lesson—the hard way.

Since then we've been on a mission to make the customer our priority among priorities by focusing on five simple strategies. There's nothing magic about them, but I thought they would provide a few insights to what we're doing to keep the customer at the forefront of everything we do. So here goes.

Strategy Number 1: Listen!

Find out what your customers are facing—what their problems and opportunities are. It's not something you can delegate to the Customer Relations Department. It starts at the top. Not a week goes by that I don't personally sit down with some of our key customers.

I had lunch on Monday in New York City with a large commercial printer and a good customer. On Tuesday, I made two customer calls in Minneapolis. I had a meeting with a large Canadian customer earlier today. And, of course, I'm having this opportunity to speak to the Empire Club—a room filled with customers and potential customers. That's a pretty typical week. I meet with customers every chance I get.

Our entire leadership team at Xerox shares the same passion. Our 500 major accounts around the world are assigned to our top executives. All our executives are involved—including our Chief Accountant, our General Counsel and our head of H.R. Each executive is responsible for communicating with at least one of our customers, understanding their concerns and requirements and making sure the appropriate Xerox resources are marshalled to fix problems, address issues and capture opportunities.

All of our corporate officers at headquarters do something else to keep in touch with customers. There are about 20 of us and we rotate responsibility to be "Customer Officer of the Day." It works out to about a day a month.

When you're in the box, you assume personal responsibility for dealing with any and all customer complaints, that come in to headquarters that day. They are usually from customers who have had a bad experience. They're angry. They're frustrated. And they're calling headquarters as their court of last resort. The Xerox "Officer of the Day" has three responsibilities—listen to the customer, resolve their problem and assume responsibility for fixing the underlying cause.

Believe me, it keeps us in touch with the real world. It grounds us. It permeates all of our decision making. It impacts the way we allocate resources. It keeps us passionate about helping our customers.

Strategy Number Two: Invest!

Even in the worst of times, invest in the best of times.

As proud as I am of our financial turnaround at Xerox, what gives me even greater satisfaction is the progress we have made on strengthening our core business to ensure future growth. Even as we dramatically reduced our cost base, we maintained research and development spending. In fact, we didn't take a single dollar out of R&D in our core business—not one.

As you might imagine, this was not a universally applauded decision. Our financial advisors thought that slashing R&D was a no-brainer. The bankers thought I didn't understand the problem. But our customers had it right. They knew it would have been a hollow victory if we avoided financial bankruptcy today only to face a technology drought tomorrow.

So we bit the bullet and continued to invest in innovation. We're glad we did. Over the last two years, we have brought to market more than 40 new products as well as a rich portfolio of smart document-related services. These investments are already paying off. In fact, more than half of our revenues last year came from offerings that were introduced in the past two years.

Strategy Number Three: Align!

Focus all your employees on creating customer value. A CEO I met with during our turnaround had a very provocative thought that has stuck with me. His guide for streamlining costs in his business was simple. Just ask the question: "Would the customer pay for this? Would the customer think this was helpful?"

I've tried to use that as a guide. It has a double payoff—streamlined costs and customer focus. From top to bottom, Xerox people are tightly connected to our customers and their businesses. In fact, 80 per cent of our people interface directly with customers as a regular part of their job. For us, it's very personal. Our customers are not faceless names, but real people with aspirations and needs and dreams that we want to help them realize.

We believe we do. We treat each customer as an individual—using our own technology to communicate with them on a one-to-one basis.

By the way—if you'll pardon a plug—we can do the same for you. In a growing list of marketing companies, our digital printing solutions are enabling our customers to communicate with their customers more effectively. We are helping hundreds of our customers find what up-to-now has been the elusive Holy Grail of marketing—the ability to communicate with large customer bases with one-to-one precision at just the right time with just the right information while eliminating the need to maintain inventories of marketing materials that quickly become obsolete.

Strategy Number Four: Deliver value!

Don't sell the customer your products; offer them solutions to their problems. This is especially key for those of us in the technology industry.

Over the past half-century, businesses, universities and governments have poured hundreds of billions of dollars into technology. And let's be frank—the return on that investment hasn't always lived up to the promise. That's because the old world of "I-T was made up of what I like to call a little "i" and a big "T." The focus was always on the technology.

We're changing that. Our view of I-T is made up of a big "I" and a little "t." The focus is on what really matters—information and what our customers do with it.

Those of us in the information industry need to focus not on hardware and technology for the sake of technology, but on reducing cost and complexity while improving the customer experience. And the customer experience is more about solving problems than acquiring technology.

Strategy Number Five: Serve!

Provide service above and beyond the customer's expectations. There has been a norm around for many years that somewhere around 75 per cent of customers who defect say they were "satisfied." Our own research bears this out. When our customers tell us they are "very satisfied," they are six times more likely to continue doing business with us than those who are merely "satisfied."

Some of you have probably read a book by Jim Collins called "Good to Great." One of his more profound insights is that the enemy of great is good. If you're just providing your customers with service that's good, they're probably just satisfied. This should set off alarm bells. Take the automotive industry. Satisfaction scores average around 90 per cent. Guess how many people repurchase from the same manufacturer? Only 40 per cent.

In today's world of increasing competition and escalating expectations, standards like "good" and "satisfied" just don't cut it. One way we're ratching up the service we provide is through the use of Lean Six Sigma tools.

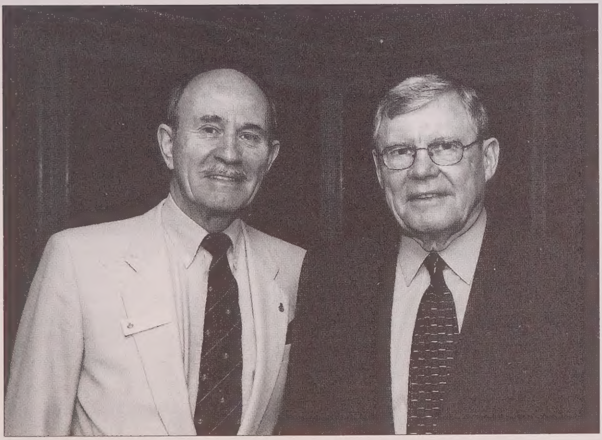
Currently we have more than 50 Lean Six Sigma projects underway with our customers. Joint teams are figuring out ways to help our customers reduce costs, increase revenue and boost productivity. It strengthens the partnership between us and our customers, makes them more successful, helps move them from satisfied to very satisfied and us from good to great. Now that's what I call a win-win.

We are not perfect and we do not have all the answers. But little by little we're getting better—and we are developing a passion about customers. We realize that all of you have choices about whom you do business with and we realize that your expectations continue to escalate.

We don't shrink from those challenges; we embrace them. We know that our success is totally dependent on your loyalty. You put a lot of trust in us. And we're on a crusade to give you a good return on that trust. You should expect no less. And we intend to deliver no less.

Thanks for your business. Thanks for your attention. And now let's open it up for questions.

The appreciation of the meeting was expressed by Verity Craig, Principal, Carmichael Birrell & Co. and Director, The Empire Club of Canada.



LCol A.G. (Sandy) Cameron, CStJ, CD, AdeC, Director and Chairman, Head Table, The Empire Club of Canada and Dave McCamus, Former President and CEO, Xerox Canada Ltd.

June 17, 2004

His Excellency, J.G. van Hellenberg Hubar

Ambassador of The Kingdom of The Netherlands to Canada

THE NETHERLANDS AND THE EUROPEAN UNION

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Principal, Carmichael Birrell & Co. and Director, The Empire Club of Canada; The Reverend Dr. John S. Niles, Victoria Park United Church and 3rd Vice-President, The Empire Club of Canada; John Hinnen, Vice-President, Radio News Programming, Rogers Broadcasting; Elizabeth Witmer, MPP, Deputy Opposition Leader, Province of Ontario; Jack Vanderkooy, President and CEO, DUCA Financial Services Credit Union Ltd.; William G. Whittaker, Partner, Lette, Whittaker and 2nd Vice-President, The Empire Club of Canada; Case Ootes, Councillor, Ward 29, Toronto Danforth, City of Toronto; Wilbert Witkamp, President, Dutch Treat Organization Inc.; and Don Cowan, President and CEO, ABN AMRO Bank Canada.

Introduction by John Koopman

The Dutch are not known for being bellicose but during the Dutch Golden Age when The Netherlands stirred, England trembled. At that time, although one of Europe's tiniest countries, The Netherlands was the greatest naval power in the world. During the second of four Anglo-Dutch wars, Admiral Michiel de Ruyter sailed up the Thames and destroyed much of the English fleet. It was England's greatest military disaster since the Norman Conquest.

Kipling wrote about this low point in English history in "The Dutch in the Medway":

If wars were won by feasting,
Or victory by song,
Or safety found in sleeping sound,
How England would be strong!
But honour and dominion
Are not maintained so
They're only got by sword and shot,
And this the Dutchmen know!

For me, The Netherlands is a study in contradictions and contrasts.

Although Holland was steeped in Calvinism it has developed into one of the most libertine societies on the globe, where prostitution is legal and drug use tolerated. It is hard to imagine that this same culture produced the South African Boers, who, prior to the collapse of apartheid, created one of the world's most rigid and closed societies.

It is a nation obsessed with cleanliness, yet nearly every Dutchman has his favourite Brown Café (Bruine Kroegen) so-called because most of them have not been cleaned since the Dutch Golden Age.

Modern-day Dutch have somehow developed a reputation for parsimony matched only by the Scots. Legend has it that copper wire was invented by a Dutchman and a Scot fighting over a penny. Yet in reality The Netherlands contributes more per capita on foreign aid than almost any other country in the world. The Netherlands pays more per capita into the European Union than any other country, yet remains a staunch supporter of the Union.

It is a society that actively promoted the emigration of hundreds of thousands of its own sons in the '50s only to find itself importing hundreds of thousands of people from across the globe in the following decade.

It is one of the world's most densely populated countries, and yet per capita it is the world's largest exporter of agricultural products. If you drive through the Flevoland or the Nord Oost Polder it would be easy to think you were in Saskatchewan. Despite a chronic lack of sunshine it has become the flower capital of the world.

In the hundred years of the Empire Club speeches we have been addressed by ambassadors and representatives of dozens of countries. Yet this will be the first time a Dutch ambassador has ever addressed this club. After 350 years it may be time the Empire Club forgave the Dutch for Michiel De Ruyter's audacity.

Ambassador van Hellenberg Hubar joined the Dutch diplomatic service over 32 years ago. He is a former ambassador to Israel and has served in New York, Brussels, Vienna, Kuwait, Algiers, Rabat and Montevideo.

Please welcome His Excellency to the podium of the Empire Club of Canada.

J.G. van Hellenberg Hubar

Ladies and gentlemen, it is a pleasure and privilege to be invited to address this august audience.

Before I start, I would like to pay tribute to the role of the Canadian Armed Forces in the liberation of Europe and of my country. On the 6th of June, D-day was commemorated. We have never forgotten the role Canadians played in our liberation. I went around Canada issuing medals of commemoration to thousands of veterans, a very moving task. Thank you Canada. Thank you Major Bill Duncan, who took part in the liberation of Breda and is now among us. Without the sacrifice of Canadians, I would not be standing here.

Ladies and gentlemen, Canada and the EU is a story of two solitudes, as my French colleague and friend, Ambassador Philippe Guelluy, explained here some time ago.

I don't like to come across as a chauvinist, but a few random facts and figures are needed to start with.

What is Holland? It is a country the size of Nova Scotia, with 16.3 million inhabitants, over half of the population of Canada and, according to Newsweek, the 10th-most-important country in the world. Its criteria may have been a bit selective, but we are certainly, in influence and financial power, always punching above our weight. We are for example the second- or third-largest suppliers of foreign direct investment (FDI) to the U.S., the fourth to Canada and the second to Mexico. We invest per head of our population 50 per cent more in the U.S.A. than Canada does.

The Rotterdam and Amsterdam harbours handle 388 million tons per year, with an annual growth scenario of 2 per cent. This 2-per-cent annual growth in those two harbours alone equals four times the whole annual tonnage handled in Montreal.

Schiphol, Amsterdam Airport, is the 4th-biggest in Europe.

Eighty per cent of the people speak English as a second language; a third of us speak three languages or more.

After the U.S.A. and Canada, we are the third NATO country in terms of what I would call "usable forces" in relation to population size. We are involved in many operations, not only in peacekeeping but also in more traditional military roles. Our official international development aid is 0.8 per cent of GDP.

We are a "wired" country. We have fast-growing biotech clusters. We are also a virtual country through our large global networks.

And we also pay five times per head more to the EU budget, in net terms, than for example Denmark does.

Now a glance at the EU.

On June 10 and the days following, 350 million EU citizens were called to vote for the European Parliament (EP). The results may not have pleased everyone, but it was a fantastic feat. After India it was the largest democratic voting process in the world.

On May 1, the EU was enlarged and enriched by 10 new members, raising our population to 450 million inhabitants—more than the U.S.A., Mexico and Canada combined. We are presently the largest prosperous market in the world.

The cost of enlargement? Around 41.5 billion euro or C$67 billion. The advantage? Well, you should realize that the bilateral trade between Holland and Poland in 2002 was already 4.2 billion euro, as a consequence of the possibility of Poland joining the EU.

The smooth integration of the 10 new member-states is certainly a priority. We have to consolidate, to insert, to harmonize, and last but not least, to be convincing in order to avoid losing the support of the general public.

Evidently, not all aspects of the EU and the single market will be immediately in place. Transition measures have been agreed upon to gradually achieve the following objectives:

- Free movement of groups and, between the Schengen group, of people;
- Freedom of services and competition in 25 countries;
- Free access to tenders for public contracts everywhere;
- Legal harmonization in order to create a level playing field;
- The substitution of different national regulations in our countries and their replacement by EU-business law;
- Harmonization of banking, insurance and securities regulations and of intellectual, commercial and industrial property;
- Harmonization of property rights;
- Harmonization of VAT, excise duties, energy taxation, personal and company taxation.

However, it is good to remind you that we negotiated for many years with the 10 countries on their inclusion in the EU. In many areas we had to bring them up to a level that would make their governance, their judiciary, their democracy and their economy compatible with ours, so that they could withstand the shock of the exposure. That exercise alone comprised roughly 80 to 90,000 pages of text per new country with what we call "aquis communautaire," our "fund in trust," of all we had commonly achieved and that had to be adopted by the new member-states.

I think you know most of that already.

The single market is okay, but skepticism creeps in when the more lofty, idealistic and political side of the EU is addressed, I hear you thinking.

I grant you immediately, that in the sector of politics, where often more money is lost than won, "Beauty is in the eye of the beholder."

When you look at our divisions on say Iraq, you cannot but with difficulty believe in the EU speaking with one voice, claiming its part of international responsibility.

Now my French colleague and I have not always been using the same lines, but he suggested that I remind you of a very simple truth: cohesion in the EU is evidently not always perfect, but the effect of heads of government, ministers and thousands of bureaucrats meeting, talking and trying to compromise permanently creates in practice a collective EU identity.

The view many people in North America have of the EU is blurred by the complexity of its institutions as well as by the vast array of 25 countries, 23 languages and so many cultures. The healthy debate we wage about our political objectives or the "finalité politique" of the EU is also presenting a sometimes confusing image. I say healthy, because that is what debate is in a democracy. Challenges by someone offering a different view keeps you alert, honest and sharp. In our case, failure has unacceptable existential consequences and is therefore no option.

The EU is very much like Canada—a singular experiment; it is about building a co-operative, institutional system with the objective to maintain peace and stability and to promote prosperity and freedom both within and beyond its borders. This is an abstract mouthful for a highly ambitious project. We aim to prevent wars from ever again emanating from Europe or occurring within Europe. We want to procure the quality of life, mankind everywhere feels entitled to. We want to project a positive force beyond our borders and we want to be able to keep up a healthy competition with other large economies in our global village.

And all this, not by force, but by the free choice of the peoples of Europe, and by the judicious use of the pulling power created by the attraction of our success on the peoples, in our own countries and farther away.

Our power is the power of appeal!

On July 1, The Netherlands will assume the presidency of the Council of the EU and hence will preside over councils of heads of state and government, over numerous other ministerial councils and working groups and of the meetings of the EU ambassadors around the world.

We will do so for six months and will implement an agenda that has been set before and will run long after our presidency.

We are assuming our presidency at a rather important juncture in the life of the EU.

The insertion of the new countries has to be smooth and as rapid as is responsible. The European Council will hopefully adopt our constitution and we have just had elections for the EP in our 25 member countries. In the fall a new Commission will be appointed, a permanent Chairman of the Council of Ministers for General and Foreign Affairs appointed and a new Minister of Foreign Affairs chosen. Furthermore, the constitution will be submitted to approval by referendum in a number of countries. A decision on the start of negotiations with Turkey has to be taken during our presidency.

These events will determine to a large extent the nature of the work laid out for us until December.

I will spare you our detailed agenda, but I shall mention some priorities:

- Agreement on the contours and the parameters of the rolling budget for the coming years (evidently important for us if you remember that we are disproportionally big net-contributors);
- A more coherent and effective common foreign and security policy to help to contribute to a solution to the grave conflict in the Middle East;
- Work on the issue of enlargement;
- Speedy and effective integration of the new member-states to prove to their respective populations that all the effort they have put into this accession will bear fruit;
- Continued negotiations with Bulgaria and Rumania with the objective to finalize these negotiations in 2004;
- A decision when to start negotiations with Turkey and on the question of Croatia's readiness to accede;
- Promotion of a sustainable economy and reduction of administrative costs and regulatory burdens;
- Co-operation in the fields of justice and interior affairs (Gijs de Vries, a Dutchman, has been appointed anti-terrorism co-ordinator).

So 2004 is a special year with a heavy European agenda to be implemented with realism and ambition. We need to pay attention to the foundations of the European integration, our shared, democratically acquired modern values as well as the principles of the rule of law.

It's important, as the elections for the EP have shown once again, to try to involve the citizens more and to give them ownership.

A condition to achieve more involvement of our citizens is to show selbstbeschraenkung as the Germans say, to avoid trop de zèle, or show restraint in the ambition to rule from the centre.

To achieve this, the principle of subsidiarity is a useful criterium and national parliaments have a function to fulfill in the application of that subsidiarity. Subsidiarity is a concept which originated in Christian-democratic political theory. It amounts to the assumption that: "What can best be done at a lower level should remain the competence of that lower level."

We have to consolidate and perhaps to re-nationalize certain issues such as cultural policies, public health and social policies and also the so-called structural funds deserve revision which is a rather expensive way of pumping money around from the states to Brussels and back. We should focus more on criminal law, border protection, security and defence as sectors to be harmonized.

We could also introduce an EU-wide referendum on some important issues as a means to improve the feeling of ownership among our peoples.

Ladies and gentlemen, allow me to take you a step back from that agenda.

Firstly, you may already have noticed that I do not adhere to the view that the EU is simply a large supermarket with professional management (the Commission), that enables its customers to pick and choose their convenience products comfortably, whilst fighting off competition (from Third World providers) with price-breaking tactics. That view is one-dimensional and would lead the EU to self-destruct.

So, the EU is not only about bread, butter and broccoli, nor is it only about battalions and battleships! On the other hand, we need somehow to equip ourselves with a full complement of assets to support our foreign policy and to be able to play the responsible role that is commensurate with our economic status, is expected from us by the international community and hence is an obligation.

We also don't want to become all the same. A potpourri without character. On the other hand, we just need sufficient cohesion to stay together, to show success and attract followers and to move the project of EU along into a future whose contours are not yet always clearly discernible.

Our train has no reverse. We can stay a while revving in neutral, but the pressures of the geopolitical reality, the challenges and threats force us to adapt rapidly.

I for one believe that the EU is somehow aiming for a modus between the alternatives of a Westphalian nation-state, a (con)-federation, and a multi-nation neo-mediaeval political structure with shifting borders and spheres of influence.

Max Weber, who studied the different models of state formation, believed that the good old Westphalian nation-state stood the best chances historically to survive. We can only empirically discover whether he is right. If so, we should rather opt for a state-like architecture for Europe—a federation. That is however a notion that sparks strong objections. It is a catalyst of a lot of debate about the optimal relationship between the centre and the periphery.

In spite of Max Weber, I find comfort in the words of Darwin: "Not the strongest or the fittest will survive, but he who is most ready to adapt to changing conditions."

Adapting is exactly what Europeans are doing continuously. We changed from six members to 15 and now to 25. From countries of emigration we became immigrant destinations. As our demography changes, our societies will change accordingly, a fact we have to face with confidence. Globalization means change; emancipation is change.

In my experience, the process of change transforms those who are involved in it, even if they are passive bystanders. The importance may be the peaceful and controlled process itself, more than its unpredictable outcome. It allows us to adapt to modernity without unnecessary fear and upheaval.

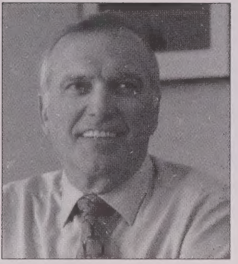
Our European region knows some of the stress caused by the mingling of peoples with very different perceptions of their own identity, without yet having acquired a new collective identity, running parallel to, but not replacing the original identities. Canada has expertise to offer to us in this field. And the EU has proven to be a provider of a convenient conduit for a peaceful process of change.

So in conclusion, the incoming Dutch presidency of the EU believes that the combination of some modesty regarding the issues we want to centrally administer on the one hand, and more ambition as regards a common foreign policy and the military power to sustain it, whilst continuing the arduous work needed to maintain fiscal responsibility and continuing work on the single market, may be a winning formula. That is what the different peoples of Europe seem to expect from their membership.

One last remark: I consider a European Defence capability co-existing with NATO not only necessary to back up our diplomacy and to secure the European perimeter, but also to provide an additional anchor for ourselves, when old anchors seem to have lost some weight. Between NATO and the European Security and Defence Policy (ESDP) exists a good working relationship and we have a division of labour that is both pragmatic and effective, as our operations in the Balkans demonstrate.

Thank you for your attention.

The appreciation of the meeting was expressed by Don Cowan, President and CEO, ABN AMRO Bank Canada.



June 23, 2004

John Graham

Chairman and CEO, Fleishman-Hillard

RESULTS, VISION AND VALUES: HOW CEOs BUILD CORPORATE REPUTATION

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Sarah Gauntlett, Grade 12 Student, North Toronto Collegiate Institute; Grant Kerr, St. Paul's United Church, Brampton; Linda Smith, Executive Vice-President, Regional Director, Fleishman-Hillard Canada; Andy MacGillivray, President and CEO, Gay Lea Foods; Ida Teoli, Senior Vice-President, National Markets, Bell Canada; Geoffrey Berg, British Consul General, Toronto and British Consulate General, Toronto; Diana Conconi, Senior Vice-President and Partner, Fleishman-Hillard and Director, The Empire Club of Canada; Mark Lievonen, President, Aventis Pasteur; Gregory W. Gee, President and CEO, Tarion Warranty Corporation; Betsey Solberg, Regional President and Senior Partner, Kansas City, Fleishman-Hillard; and Tom Enright, President and CEO, Canada Newswire.

Introduction by John Koopman

In "Richard II" Shakespeare wrote:

The purest treasure mortal times afford
is spotless reputation; that away,
men are but guilded loam or painted clay.

When Shakespeare wrote "Richard II," today's regulatory and disclosure protections did not exist. In such an era, without prospectuses, annual information statements or even brands, a good reputation was not only of immense value, it was imperative to vendors of every type.

In the free-wheeling days at the turn of the 20th century, J.P. Morgan marshalled his immense power on Wall Street as much because of his reputation for fulfilling his promises as the strength of his balance sheet. Caveat emptor was the prescription that protected the masses.

Over the past century our governments have offered and the Canadian public has eagerly embraced a myriad of regulatory protections, mandatory disclosure and implied certifications of integrity, in place of the old system of public reputation. Presumably the public is now better protected, but the unintended consequence of the last century's regulatory explosion was the diminished market value of reputation, which was so critical in the entire pre-regulatory age.

However, events at Enron and WorldCom, among others, show that laws and regulations cannot and will never wholly eliminate the less savory side of human behaviour. We are beginning to understand what Shakespeare always understood: that, although a market economy cannot function without some formal rules such as tort and contract law, rules cannot and will never substitute for character.

If any good has come of these scandals it is the re-emergence of the value and importance placed on reputation and trust and a re-inoculation of consumers and citizens with the very healthy caveat-emptor vaccine.

Our guest today is going to speak to us on corporate reputation, and how to understand it, measure it, and manage it. Mr. Graham is well placed to discuss this topic, because both he and the firm he built have outstanding reputations.

On March 25, 1974, Fleishman-Hillard, a public relations firm with a single office in St. Louis Missouri, had just appointed our guest Mr. John Graham as its president. Thirty years later Fleishman-Hillard under Mr. Graham's leadership has developed into one of the world's leading public-relations firms with 83 offices around the globe and more than 2,000 professionals.

In a world where job-hopping is common Mr. Graham has spent 38 years with Fleishman-Hillard. In a world where there are too many self-centred egos, if you review press clippings and articles you will never find Mr. Graham talking about himself; he unfailingly speaks of his staff, his clients and his industry.

Ladies and gentlemen, please join me in welcoming the Chairman and CEO of Fleishman-Hillard, Mr. John Graham, to the podium of the Empire Club of Canada.

John Graham

Thank you. It is always a pleasure to visit Canada and especially Toronto, one of the world's truly great cities.

I sincerely appreciate this opportunity to speak before the Empire Club once again and I thank you for inviting me to spend this time with you.

From my perspective, the timing could not be better for a very basic reason. I spend a lot of time in Southern Texas where the temperature hit 100 degrees Fahrenheit on the first of June and it has barely let up since. So, for a number of reasons, I am very happy to be in Toronto today.

This is a great time to talk with business leaders like yourselves about the value and importance of reputation because it seems that so many companies and so many executives are determined to damage their own.

Every day it seems newspapers bring us another story of a company in crisis that impacts its reputation. And so, every day brings us another reminder of how important a good reputation can be. And how quickly it can be ruined.

I would like to share with you a few of the reputation lessons I have learned over the past 30 years in working with some of North America's largest companies. I want to point out that these are lessons that apply to any company or any organization regardless of size.

And I also would like to spend a few minutes talking about how the chief executive officer is really the chief reputation officer of any well-run company.

Let's begin with the basics. Let's assume for a minute cameras from "60 Minutes" are not camped on your doorstep or investigative reporters from the Globe and Mail are not calling for your comment on sensitive company issues.

Under those circumstances when you are not facing an immediate crisis you might be tempted to think that you don't have to worry about your reputation. You might even think you don't have a reputation to worry about.

But in my opinion, you would be wrong especially if you do business in the public eye. Nearly every company doing business today has a reputation and even if your company is travelling totally below the radar screen with no discernable reputation you still could at some point have a reputational problem.

A company's reputation can be difficult to quantify, influenced by factors out of your direct control and, therefore, difficult to manage. But you definitely know a good reputation or a bad one when you see it. And you know the companies that do a good job of making their reputation a top priority.

Shaping and continually working to maintain a reputation is more important today than it has ever been because the opportunities to affect your company's reputation have never been greater.

Those of us who have been in the communications business for some time fondly remember the days of the news cycle a decade ago. If you had an article in the morning newspaper that impacted your reputation, you had a lot of time to work on the strategy and a response.

The news cycle, over the years, has been compressed to the point that it no longer exists thanks to round-the-clock news programs and, of course, the rise of the Internet (which incidentally was the topic of my talk here in 1995).

Today, if you are lucky, you might have an hour or two to respond to a crisis. If you don't handle it quickly and right the first time it could be a disaster. Your story could instantly be on the wires and on Web sites in front of billions of eyes. With the click of a few keystrokes millions of opinions about your company will be formed.

Mark Twain once said that a lie can get half-way around the world while truth is still putting on its shoes. And keep in mind this was back when the telegraph was the hot technology.

In today's world, truth is at an even greater disadvantage. Rumours that affect your business can be started at breakfast and sweep around the globe before lunch. During times of crisis, my counsel to clients is always based on two fundamentals—do the right thing and do it quickly.

That is one of the reasons having no discernable reputation means you are at a major disadvantage if faced with a crisis. A good reputation is your last or sometimes your only and maybe your best defence during a crisis.

Of course, the backdrop to this is the distressing volume of corporate scandals and executive misdeeds that have occurred over the last several years. It has certainly captured the attention of the public, the media, and the regulatory officials.

But this should also be tempered by the fact, as all of us know, that the vast majority of companies today do business the right way. As all those bad headlines were being made, there were thousands of companies operating effectively, with good leaders focused on their employees, on serving their customers and their shareholders.

And in so doing, those companies are building on the three pillars of corporate reputation, which I would like to touch on briefly.

The first pillar of a sound corporate reputation is results. Your company or organization must say what it intends to do and then it must deliver.

This means different things to different audiences, of course, but I think Mark Twain summed it up best when he said, "Always do right. This will gratify some people and astonish the rest."

But what is right? The financial community has expectations of performance that probably differ from the expectations of your customers. Results from an employee's perspective are different from the results policymakers might expect. But they are all interwoven and, therefore, interconnected. A company cannot fail in one audience category without affecting its overall reputation. And just as importantly, you cannot pin all your hopes for a strong reputation on strong financial results.

I have known a number of CEOs who privately believed that if their company produced the financial or operational results investors demand they have won the reputation war. That may have been true years ago but not today. Not when nearly one billion people can log onto your digital storefront. Not when the regulators or investigative reporters are playing catch up to missed scandals and working overtime to find new ones.

Vision is the second pillar of good corporate reputation. Vision is the hallmark of any good leader. People—your customers, investors, employees, and others—are always drawn to leaders with a vision.

This is especially true as we emerge from a period of global economic slowdown. Successful corporate reputations must include the concept of a leadership vision—a clear articulation of what the company will become in the future, and what the company will mean to investors, customers, employees and society. That kind of vision fell out of favour with the collapse of the technology bubble because the notion of vision was abused by some people who never understood that a credible long-term goal had to be supported every day by the communication of tangible progress.

The third pillar of a good corporate reputation is corporate values and the culture it takes to sustain them. I cannot over-emphasize how important a strong, healthy corporate culture is in building a reputation.

Culture is a critical driver of reputation, because it guides the actions and attitudes of everyone in an organization. The culture of a company affects every relationship with employees, customers, regulators and policymakers, suppliers, investors, the local community—every individual that the organization touches.

Culture is a particular interest of mine, because the firm I have had the privilege of leading for 30 years has a very strong and distinct culture, which has been, I believe, the key to our success.

Several years ago, before the major global economic downturn really took hold, I spoke at the Conference Board in New York, and made the point that one of the reasons corporate culture is so important is because it sustains you when times are tough. I said it was easy to talk about your company's great culture when times are going well. It is easy to find money to spend on employee programs or events. But what happens when the good times slow down? Budgets devoted to supporting corporate culture many times are the first to feel the pinch when belts are tightened.

That is not the case at companies that really value a culture of success. In fact, that is precisely the time when the culture you have built can see you through. A strong culture will help your employees stay focused on doing outstanding work, despite other issues that may be swirling around you.

Results. Vision. Values. In my experience these are the three pillars on which successful corporate reputations are built.

And in my experience, there is only one place to start building it—in the CEO's office.

CEOs today are expected to deliver on many responsibilities—leadership, strategy, performance, shareholder return, customer satisfaction, corporate governance, social responsibility, and more.

How the CEO delivers on these critical areas determines the reputation of the company. And the company's reputation also often influences how it performs in these areas. That is why the responsibility of managing, building and guarding the company's reputation has to be a top priority for any CEO.

It cannot be a part-time job, and it cannot be delegated to the human resources or corporate communications departments. Again, the CEO has to be the chief reputation officer. Results, vision, and values may be the foundation, but a company's reputation ultimately rests at the top of the organizational chart. It always has; it always will.

Smart CEOs set the tone. He or she must become the company's greatest champion for the kind of reputation it wants to achieve. The CEOs and the company's reputation must become synonymous.

The best CEOs understand that there are two distinct aspects of being an effective leader. You need to combine the job of being a CEO with the role of being a CEO.

An illustration of what I mean was driven home very effectively by former prime minister Brian Mulroney at the funeral for Ronald Reagan, which many of you may have seen.

In his eulogy, Mr. Mulroney noted that French President Mitterand once said that Reagan has a sense of the state about him. It sounded more profound in French, but my French would not do it justice. At any rate, Mr. Mulroney said that there is "a vast difference between the job of president and the role of president." Reagan, he said, "embodied that unusual chemistry of history and tradition and achievement and inspirational conduct and national pride."

Achievement and inspiration neatly sum up good leadership for a country or a company.

And once the CEO has committed to the concept, there are a few tangible steps any organization must take to solidly establish a strong reputation.

First, management needs to determine what the reputation goal is and focus the rest of the company toward achieving it. You must define it if you want people to believe it. And if you want people to embrace it, your reputation must be grounded in the truth. That means you need to assess exactly where the company's reputation stands among the audiences it cares about. Through survey research, you can identify exactly how your company is viewed among your important audiences.

From there, you can extract the nuggets of truth and use that knowledge as the foundation for the reputation you want to achieve. In other words, start on ground that your audience accepts, in order to get them to listen and then move to where you want to be.

Having defined the company's reputation, the next step is to ensure that all employees organize around it in order to fulfill it. And like any other corporate asset, reputation can and should be measured. It is tempting to classify reputation management as more art than science but the fact is reputation can be measured and managed.

There is a growing body of literature on this very subject, written by academics, public relations practitioners, and journalists.

Fleishman-Hillard has created a program called Reputation Equity Assessment and Direction, or READ, which we use to help clients measure how well their messages resonate with key stakeholders. It has proven to be a very effective tool for a number of our clients.

At the end of the day, creative, disciplined communications are at the heart of managing a company's reputation. Effective organizations place a premium on ensuring that the company's audiences really understand your results, your vision, and your culture.

And let me add that communication is, of course, a two-way street. You have to listen to those audiences as much as, if not more than, you talk to them.

During my career I have been blessed to have the opportunity to work with some of the great business leaders of our time. You cannot have that kind of proximity without picking up a few things along the way. I have always been grateful for the lessons I have learned from the CEOs that I have worked with.

And since we are talking about lessons learned, I thought I would close today with a story of one newly hired CEO of a large high-tech corporation and the advice he received.

The CEO who was stepping down met with him privately and presented him with three numbered envelopes. "Open these if you run up against a problem you don't think you can solve," he said.

Things went along pretty smoothly, but six months later sales took a downturn and the new CEO was really catching a lot of heat. At his wits' end, he remembered the envelopes. He went to his drawer and took out the first envelope. The message read, "Blame your predecessor."

The new CEO called a press conference and tactfully laid the blame at the feet of the previous CEO. Satisfied with his comments, the press—and Wall Street—responded positively, sales began to pick up and the problem was soon behind him.

About a year later, the company was again experiencing a dip in sales, combined with serious product problems. The CEO quickly opened the second envelope. The message read, "Reorganize." This he did, and the company quickly rebounded.

After several consecutive profitable quarters, the company once again fell on difficult times.

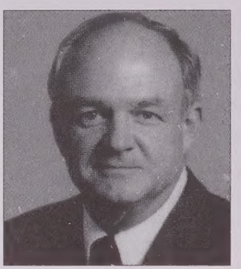
The CEO went to his office, closed the door, and opened the third envelope.

The message said, "Prepare three envelopes..."

Again, many thanks to the Empire Club for inviting me to join you today. I have certainly enjoyed it. Thank you.

The appreciation of the meeting was expressed by Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada.

Sarah Gauntlett, Grade 12 Student, North Toronto Collegiate Institute, Tom Enright, President and CEO, Canada Newswire, John Graham, Chairman and CEO, Fleishman-Hillard and John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.



June 24, 2004

Thomas C. Reed

Former Director of National Reconnaissance and Special Advisor to President Reagan and also a Former Secretary of the U.S. Air Force

HOW THE COLD WAR ENDED

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

Doug Morris, Contract Sales, Inkan Limited and Director, The Empire Club of Canada; Alex Guerasimenko, Grade 12 Student, North Toronto Collegiate Institute; Reverend Canon Kimberley Beard, Rector, Christ Church, Brampton and Director, The Empire Club of Canada; Allan Fotheringham, National Syndicated Columnist and Author; The Hon. Barbara McDougall, Advisor, Aird & Berlis LLP; Anne Fotheringham, Owner, Fotheringham Fine Art, Director, The Canadiana Foundation and Director, The Empire Club of Canada; Noreen Taylor, Chair, McMichael Canadian Art Collection, Chair, Charles Taylor Foundation and Founder of the Charles Taylor Prize of Literacy Non-Fiction; and The Hon. Michael H. Wilson, Chairman, UBS Canada and Former Minister of Finance, Government of Canada.

Introduction by John Koopman

In the early '70s, pursuing détente, President Richard Nixon made a state visit to the Soviet Union. Brezhnev did everything in his power to ensure that President Nixon was impressed by the economic and military power of the Soviet Union. Nixon was appropriately awed by what he saw, and Brezhnev could not resist going one step further and invited Nixon into his private office.

There was a red telephone on his desk. "Is that the hot-line to Washington?" asked Nixon. "No, my friend," replied Brezhnev, "as a matter of fact it is my hot-line to Satan."

Breznev picked up the phone and had a brief conversation with Satan. After the call the operator called back and informed Brezhnev that the charge for the call would be two rubles.

After Nixon got back to Washington, his Secretary of State, Henry Kissinger, negotiated a similar line for the White House.

President Nixon could hardly wait to use the hot-line and make a call. In front of the whole cabinet he picked up his new hot-line and had a conversation with the Devil. After the conversation the operator called backed and told Nixon the cost of the call would be $200.

President Nixon exploded. "But the same call only cost Brezhnev two rubles!"

"Maybe," said the operator, "but for Brezhnev, that was a local call."

President Reagan described the Soviet Union as "the evil empire." Even Margaret Thatcher admits she blanched when she first heard President Reagan utter those words. But if ever an empire was evil, the Soviet Union was evil.

In the midst of détente we all read a lot of balderdash about the moral equivalency of generally right-wing Cold War dictators and the left-wing tyrants who ran the communist world. I am not an apologist for the former right-wing dictators, at this very moment most of them are in the process of answering to God for their deeds, but even in Franco's Spain, Pinochet's Chile, or the Philippines under Marcos a man was free to practise his religion, quit his job, join a labour union, travel freely within the country or even leave the country if he wished. In the former Soviet Union, or in Korea today, a man has none of these freedoms.

Mr. Reed recently wrote a book entitled "At the Abyss"—an insider's history of the Cold War. His book is a compelling account of the Cold War brinkmanship, told by a man who was at the eye of the storm throughout the Cold War.

The Cold War was a fight to the death. It was a war fought with nearly every weapon imaginable, and some I could not imagine until I read Mr. Reed's book.

However, we got through the Cold War without the use of nuclear weapons, and as much as Mr. Reed's book is about how this war was fought, it is also a tale of the heroism of uniformed soldiers on both sides of the Iron Curtain whose professionalism ensured that nuclear weapons were never used.

Mr. Reed's life—to use an American expression—is Hamiltonian in scope. He graduated first in his engineering class, he designed two thermo-nuclear devices, he held senior roles in Ronald Reagan's state campaigns and administration. He went on to be a manager of intelligence at the Pentagon, a secretary of the Air Force, a special assistant to President Reagan for national security, and a consultant to then Joint Chiefs of Staff Chairman Colin Powell.

Ladies and gentlemen, please join me in welcoming Mr. Thomas Reed to the podium of the Empire Club of Canada.

Thomas Reed

Thank you John. That is really very nice. I appreciate the introduction but I really enjoyed being able to stand and sing "O Canada" in my ancestral home, because my grandfather was born in Toronto and for reasons known only to 14-year-old boys he fled to the silver mines of Colorado. Because he died fairly young, he didn't leave a whole lot of records as to which of you are my cousins, but nonetheless I really enjoy being here.

John has told you about my having written a book. I didn't intend to write a book. He outlined for you the things I had the good fortune to do or the places I was at during the Cold War, but the astonishing thing is that designing nuclear weapons just seems like a physics experiment. All the way to working at the White House it is just another day at the office. The coffee isn't made, the phone rings and your boss wants something done in 15 minutes. Yes, he is the president but he still wants it in 15 minutes and the marine guards at the door simply don't tell you or blow trumpets when you go to work and say today is an historic day. It is just another day.

And so it wasn't until it was all over that it occurred to me that I ought to write something down. The first triggers were reading the quicky books about the Cold War. I thought they were interesting but they don't happen to be accurate. That didn't happen. I was there. The activating moment was when I was giving a speech—a talk about the Cold War—to some kids in our local high school. Two youngsters raised their hands and said: "Mr. Reed, tell us about the Cold War. Tell us about Vietnam. Our grandfathers flew there." I thought then that time was really going by and I had better write some of this down.

And so I started the process. The original idea was modeled on Tom Brokaw's book "The Greatest Generation." I wanted to write about the greatest generation of the Cold War and talk about Jim Stockdale and Edward Teller. I acquired an agent, an editor and typed it up into a really readable tale, but when I got through I was absolutely astonished by a couple of things.

Number one—the absolute integrity and great caution of the officers and civilians on both sides of the Iron Curtain. I have to this day the greatest respect for my peers in the nuclear weapons establishment of the Soviet Union, the officers of the strategic rocket forces, to say nothing of course for the scientists at Los Alamos and the officers and men of the U.S. Armed Services.

Secondly, we all, I concluded, have some very clear memories of Cold War events that simply never happened. For instance, we all think we know what happened to good old Joe Stalin because Tass, the Soviet news agency, told us. Stalin died of a stroke in his suite in the Kremlin on March 5, 1953. It turns out that's absolute bunk. He was murdered by his security chief, Lavrenti Beria. The weapon fittingly was rat poison. It took three days for Stalin to die a most agonizing death and Beria's so-called guards saw to it that no doctors got in other than the medical assistants to lift Stalin up off the floor onto a sofa until the man was gone.

Other legends, Eisenhower. I remember Dwight Eisenhower. He was president when I first entered the U.S. Air Force and our impression at that time was he was a hero from World War Two. He came home, he ended the war in Korea and then he started to play golf and nothing else happened. But that's not what happened. It turns out historians are now coming to appreciate that Dwight Eisenhower was one of the true geniuses of the Cold War. When he came home, Korea was raging. The conventional military view was that that was the opening gun of World War Three. The bad guys were going to get busy in Asia and when all of our troops and ships and aircraft were concentrated in Korea the Red Army was going to roll across Western Europe to the Channel. Well the last year of the Truman administration assembled a budget that was going to restore the United States to World War Two footing so as to contend with the Red Army. It was going to expand the army, the air force and the navy to huge sizes and the budget would have eaten a quarter of the GDP.

Eisenhower had the fortitude to say no, that's not what we are going to do. He developed an approach called "the new look" and the new look was to rely on thermonuclear weapons to deter the Soviets from bad actions; beyond that a modest expenditure of 5 per cent of GDP on conventional forces and let the western economies prevail. His view was that it was the arsenals of democracy that really prevailed in World War Two and he felt that that's what would win out against the Soviet Union. The American economy, the Canadian economy and the western economy were expanding and would prevail over a collapsing and hopelessly inefficient Soviet system. He figured that out in the mid-fifties and of course that's the way it turned out at the end of the eighties.

We don't understand and we have no comprehension of the toll that the Cold War took on the people of the Soviet Union. John told you a story about how a call to Satan is a local call in Moscow. Absolutely. But worst of all was the toll of the nuclear program because the Soviets were totally unconcerned about the lives of their people and environmental matters. They wanted nukes and they wanted a lot of them and they wanted them fast.

Here is an example. The Soviet Union produced plutonium at a place called Mayak. In the United States we did that at Hanford with a lot of safeguards. We kept track of what was going on and nobody was injured and life was pretty tranquil. At Mayak the Soviet Union was cranking up plutonium in a hell-for-leather arrangement.

The way you make plutonium is you run a reactor and after a few weeks or months you take the fuel rods out and put them in big vats of acid. A lot of fancy chemical engineering happens and pretty soon the plutonium settles to the bottom of the tank. The Soviet Union had a couple of big settling tanks at Mayak. They weren't too good at calculating critical masses or understanding pyroforic explosions and so one day in the fall of 1957 those two tanks blew up. Now we are not talking Three Mile Island here. We are talking Chernobyl times ten thousand. When the Mayak reactor tanks blew up, seventy or eighty tons of radioactive debris that came right from the core of the reactor were scattered downwind in the Soviet Union. A quarter of a million people had to be evacuated from 200 towns and those who were not evacuated have children and grandchildren to this day with all sorts of terrible birth defects and so forth.

And the frightening thing was because this happened in 1957, before satellites, before sophisticated intelligence, we never heard a thing in the West. It was not until 1993 when my associates and I were sitting with the scientists of the Soviet weapons labs that one of them turned to me and said: "You know, we need to tell you about the day that Mayak blew up." And that was more than a third of a century later.

Cuba. We all remember Cuba. We remember it was a dicey time but none of you have any idea how dicey it was and how close we came. It turns out that the Soviet Union at the time of the October Crisis already had 98 nuclear weapons on the island of Cuba. And even worse the general in charge had the authority to use them. He had met with Kruschev before he left Moscow in July. Kruschev had said: "Here's the plan. Here's what we are going to do. You are in charge. Stay in touch. But if you lose communication because you are at the end of a very unreliable communication link and you come under attack use your judgment." General Pliyev had the authority to use nukes.

I have no doubt that if we had become imaginative and started attacking air fields in Cuba, if we had started attacking the rocket stands that were under construction even though the intermediate range rockets were still on boats, General Pliyev would have used the nuclear weapons at his disposal to respond. He would have used anti-ship missiles to blow away big pieces of the U.S. fleet. He would have loaded his IL-28 bombers with nuclear bombs to take out the air fields in Florida. The U.S. response would have been immediate. General Curtis LeMay was not known for his sense of humour. Cuba would have been a smoking ruin in a matter of an hour. The nuclear genie clearly would have been out of the bottle and all that was precluded at the last minute because the Kennedy brothers had sense enough to make deals, side deals, about missiles in Turkey and protecting Castro and so forth. But we were literally minutes away from that nuclear exchange.

The Tonkin Gulf. We all remember the Tonkin Gulf episode. The U.S. destroyers "Maddox" and "Turner Joy" were attacked in the Gulf of Tonkin on August 4, 1964, by torpedo boats that came out from the coast of North Vietnam. As a result of that attack the Tonkin Gulf Resolution made its way to the floor of the Congress the very next day and was passed with unseemly haste. The Tonkin Gulf Resolution became the legal basis for the war in Vietnam.

Now that is a very interesting story with only one fault. It never happened. How do we know that? It turns out by those strange accidents of history the man flying air cover for the “Maddox” and “Turner Joy” was a man who became a hero in Vietnam the hard way—Jim Stockdale. But in 1964 then Commander Stockdale was flying off the “Ticonderoga,” the aircraft carrier 15 or 20 miles behind the “Maddox” and “Turner Joy,” and he was to provide air cover. “Maddox” and “Turner Joy” at night radioed that they were under attack. They saw something on their radar scopes, probably returns off waves or something. Stockdale took off; he and his wingman flew out to the “Maddox” and “Turner Joy.” They saw the wakes of the destroyers at night in the very phosphorescent sea but they did not see any torpedo boats. They went down to 500 feet and flew back and forth. Stockdale told me of getting salt water on his windshield looking for the torpedo boats because if they were there he needed to find them and he needed to sink them to protect the destroyers. There were no torpedo boats. He went back to the carrier and landed on the “Ticonderoga.” He went directly to the communications room and sent a message to the national military command centre in Washington that no torpedo boats were out there. He said, “Don’t do anything rash until you look for debris in the morning,” and he went to bed thinking the crisis had been averted.

Wrong. The next morning the Tonkin Gulf Resolution was on the floor of the Congress anyway, put there by Robert MacNamara, and there was every indication the legal work drafting had been done as early as May.

Vietnam was a terrible place. Most people in the western world can recite the casualties. Fifty-eight thousand Americans were killed in Vietnam. I did not understand, however, until I became Secretary of the Air Force the breadth of that disaster. In America and the West, we were used to thinking if we go to war in such a place we would lose a few dozen aircraft. In Korea, a war that went on for three years, the UN powers, mainly the U.S., lost 139 aircraft. In Vietnam the United States Air Force alone lost 2,257 aircraft. The United States Navy lost a similar number of aircraft. The United States Army lost a similar number of helicopters. In this little book I wrote, I described it as a train wreck in the sky. It was an absolute disaster, not only on the ground, but in the air because we were totally unprepared to conduct an Asian war.

The good news is that we learned lessons, which is the mark of an intelligent society. The young officers who were flying into this terrible flak had the idea of smart weapons. They first developed laser designators to shine on bridges, so that late in the war they could release their weapons far out. These were the first generation of smart weapons. It is fitting that the officers, who did that, rose to take charge of the U.S. Air Force. The Chief of Staff of the U.S. Air Force, John Jumper, was then a major and led one of the first raids in Vietnam with laser designators.

And so the 1970s unfolded. The 1970s were a terrible time in the West. In 1970 the Soviet Union clearly acquired nuclear superiority in terms of throw-away numbers of warheads. The U.S. was suffering from the aftermath of Watergate, the Vietnam War had caused terrible dissensions and difficulties in both of our countries, and in the U.S. the solution was thought to be détente. The Soviet Union was a superpower and the conventional wisdom was that they were really strong, they had got all these nukes, they were only spending 15 per cent of their GDP on defence, so they are going to go on forever. We had better make peace with them. Détente was a scheme of building trade relations one strand at a time in hopes that that would stabilize western civilization.

Now the interesting thing about the election of 1980 was that it was a change of sea-state. In writing this book I went back and talked to a lot of the Cold War presidents and their national security advisors. I had the good fortune of meeting or knowing all of them back to Eisenhower. It is interesting that over and over if you asked former presidents how they envisioned the Cold War ending, they would talk about their vision of the world and so forth, but when you got down to the third cup of coffee it really was: "Well Tom, my objective was to try and get through my watch without a nuclear war. My objective was to let containment work and sooner or later the Soviet Union was going to collapse but my job was to see to it that we didn't get into some terrible nuclear exchange because that would have been so ghastly."

None of them really knew how it was going to end and that is not to malign our predecessors; it was a tough job. In 1980 a man was elected to the presidency of the United States at a time when the economic chickens were coming home to roost in Russia. A man was elected to the presidency whose prime objective in seeking the presidency was to end the Cold War. In January of 1982 when he restructured his National Security Council and we came to work for him he turned to us and basically said: "I really want to end the Cold War. You fellows decide how it is we are going to do that. How are we going to prevail?"

We talked about such things as Whittaker Chambers' writings half a century before about whether when this century ended we were either going to be all free or all communist and his view was that we were going to prevail.

And so we put together a road map of how we were going to do that. We started with Reagan's direction that the Soviet economy was not 10-feet tall, unlike the savants who were saying they were spending 15 per cent of their GDP on defence. Outsiders were more of the view that it was more like 50 per cent—the President of the Rand Corporation, Jim Schlessinger and economists—and Reagan basically agreed with those people. And so we put together a plan—a war plan. It is how we were going to win. It had five parts and just to touch on them briefly:

One part was economic meaning there were no more credits. If Russians wanted to buy wheat they had to pay for it with cash.

Secondly military. Military technology. Not only were we going to proceed with trade, but develop smart weapons and ultimately the Strategic Defense Initiative (SDI) (Star Wars), which would be a very difficult technical challenge.

Thirdly, political, which was a polite word for the covert operations arm of the CIA to bring about change to stop bad things.

The diplomatic aspect of the war plan was to support our allies, not just by writing polite memoranda. We were going to be tight with our friends in the English-speaking world and we are going to support our other allies that were taking on the Soviet Union. Afghanistan of course was the prime example. We decided to support Afghanistan with troops, training, and ultimately with hardware that turned Afghanistan into the Soviet Union's Vietnam.

And lastly information warfare. The information age was just dawning and our conclusions were that we wanted to use the voice of America not just to broadcast weather reports. We wanted to talk to the Soviet people.

And of course, the ace up our sleeve was the great communicator himself. As we wrote down the plans for how to do all this and execute it as a document called Nsdd32, he announced his war plans, his goals, his plans to prevail, not in the Congress of the United States, but in Westminster. He wanted to go to the cradle of parliamentary democracy to make a speech because he was talking to the Russian people. He then reiterated those principles in what was known as the Evil Empire Speech. And again while that was made in Florida he was talking to the Russian people.

And what is really fun now is to talk to the people who were kids then in Kosakstan, Uzbekistan, Russia and Ukraine. In 1982–83 the Evil Empire Speech just flashed through the Soviet Union. The younger generation heard that the American president was not going to abandon the people behind the Iron Curtain.

The interesting thing about this war plan was the definition of victory because if you were going to get into a war it would be nice to think about how you were going to get back out again. The definition of victory in the Cold War, the Reagan definition, was not tanks rolling down Red Square. It was not setting Berlin on fire or Prague on any other place. The definition of victory was written by Thomas Jefferson. It was "to force the Soviet government to seek the consent of the governed." We knew once the Politburo started allowing elections it would be game over. And of course that's the way it turned out.

So it all ended in 1991. We all remember the coup, an important moment in history. We remember Gorbachev sitting down in Crimea under house arrest in August of 1991. Yeltzin was outside Parliament standing on a tank with a bull horn. The Vice-President Yanaev, who was inside the Kremlin holding a press conference, looked shaky and as if he needed a drink. And in Washington we were sweating bullets because the question was: "Who's got the cheget?" The cheget was the nuclear briefcase that contained a laptop that allowed the Soviet chief, whoever he was that day, to release nuclear weapons and to direct their use. And we're sitting in Washington fretting about how one of these guys was going to get control of the cheget and fire off a nuke.

It turned out we did not need to worry about that. Most amazingly, the Soviet general staff was concerned about this issue also. In August of 1991, the Soviet general staff met and they concluded a couple of things. One, the Americans were not going to do anything dumb at this time. They trusted us. And secondly, they did not trust their own political leaders. They did not think it was a good idea for various contending Politburo leaders to possibly have control of the nuclear button. And so in August of 1991, the Soviet general staff simply unplugged the Soviet president's nuclear briefcase. You can imagine how many court-martials would have ensued if that had not worked out. But they did the right thing and so the Cold War ended.

Perhaps after a lovely luncheon here we should end with a story on a lighter note about another philosopher. In the sixth grade a teacher asked the students to write essays about famous people. And a little girl in sixth grade picked Socrates. She wrote the life story of Socrates in three sentences. Socrates was a philosopher. He went around giving people advice. They poisoned him.

Thank you.

The appreciation of the meeting was expressed by Anne Fotheringham, Owner, Fotheringham Fine Art, Director The Canadiana Foundation and Director, The Empire Club of Canada.

John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada, Thomas C. Reed, Former Director of National Reconnaissance, Former Special Advisor to President Reagan and Former Secretary of the U.S. Air Force and The Hon. Michael H. Wilson, Chairman, UBS Canada and Former Minister of Finance, Government of Canada.

June 29, 2004

Craig Kielburger

Founder, Free the Children, International

FROM A "ME GENERATION" TO A "WE GENERATION"

Chairman: **John C. Koopman**
President, The Empire Club of Canada

Head Table Guests

William Sinclair, Director, West Toronto School of Excellency and Chairman, Royal Commonwealth Society Essay Contest; Archana Shah, First Place Winner Class "A" Essay Competition; Reverend Keith Byer, Rector St. Dunstans of Canterbury Anglican Church, Scarborough; Ramona Matthews, Teacher, Bloor-Lea Middle School and Faithful Supporter of the Essay Contest; John Hart, Former Senior Supervising Producer, Rogers Television; The Hon. Sinclair Stevens, Chairman, Royal Commonwealth Society Foundation, Chairman, Planet Today and Former Cabinet Minister, Government of Canada; Marc Kielburger, Executive Director, Free The Children and Rhodes Scholar; Dr. Derek Allen, Dean of Arts and Vice-Provost, Trinity College, University of Toronto; Edward P. Badovinac, Member, Royal Commonwealth Society, Toronto, Director, The Empire Club of Canada and Chair, The Empire Club of Canada Yearbook; MGen. Bruce J. Legge, Partner, Legge & Legge, Founder, The Royal Commonwealth Society and Past President, The Empire Club of Canada; Ann Curran, Director, Corporate Relations, AIC Limited and Past President, The Empire Club of Canada; Sylvia Hart, Teacher/Librarian, Our Lady of Lourdes School; Attila Lendvai, Vice-

President, Strategic Communications, Aithent and Planettoday.com; and Peter K. Large, Acting Chair, Royal Commonwealth Society, Toronto, Lawyer and Honorary Consul.

Introduction by Peter Large

As we express our thanks to the Empire Club for this annual joint luncheon with the Royal Commonwealth Society, I would note that this is also the day that we welcome our young people—the student award winners of the Royal Commonwealth Society Essay Contest. In keeping with that theme, we welcome our speaker today who, at age 21, is perhaps the youngest speaker ever in our history.

Craig Kielburger was born in Toronto on December 17, 1982 and is currently a student at Trinity College, University of Toronto. Since the age of 12, he has been known as a spokesman for children's rights and is the founder of "Kids Can Free the Children," an international organization of young people—at last count, active in 35 countries (I haven't asked him how many of those 35 are Commonwealth countries)—whose objective is to free the children from exploitation, namely child labour, and giving youth a voice.

He has been featured in international media, having addressed world leaders, business executives, educators and students around the world, raising hundreds of thousands of dollars for children to construct schools in rural areas in developing countries, setting up co-ops for poor families and providing access to clean water, education and medical supplies; seeking to empower youth through leadership training, campaigns and projects.

Mr. Kielburger is the recipient of numerous awards including Man of the Year 2000 (California), Freedom Medal (Holland '98), Global Leader of Tomorrow Award, World Economic Forum (Switzerland '98), Governor General's Award for meritorious service '98, Ontario Medal for Citizenship, Maclean's Honour Roll '96; Ambassador, Children's Embassy of Sarajevo; subject of the documentary "It Takes a Child," UNESCO '99; and he is the author of "Free the Children" (1998) translated into seven languages.

It is with great pleasure that I introduce Craig Kielburger.

Craig Kielburger

Thank you Mr. Chairman for that kind introduction.

Mr. Chairman, honoured guests, members of the Empire Club and the Royal Commonwealth Society, and a special hello to the many young people in the audience. I have been told that this is the largest number of youth who have ever attended an event hosted by the Empire Club.

Allow me to begin by welcoming you to the first day post-election! I'm sure you'll be pleased to know that there is no campaign pitch coming in this talk, and there will be no pollsters hounding you as you leave the room.

Both my brother and 1 are greatly honoured by the invitation to join you today. We would like to express our thanks to the Empire Club and the Royal Commonwealth Society. A special word of gratitude to Michael Frederiksen and Ed and Jocelyn Badovinac for the kind invitation.

In light of the fact that you've already heard far too many people delivering speeches during the election, my brother and I decided that only one of us, myself, would share some thoughts with you today. Specifically, 1 want to speak about the federal election from the perspective of children and youth in this country, and also touch on how our society can nurture greater active global citizenship among young people.

Yesterday, for the first time in my life, 1 had reached the age of majority and was able to cast a ballot in the federal election. I joined an estimated 13.5 million people who voted. That constitutes an impressive 60.5 per cent of the eligible population. However, that also means that approximately nine million eligible voters chose not to exercise their democratic right and responsibility to vote. And, although the demographics have yet to be calculated, I'm sad to say that most likely a significant percentage of non-voters are under the age of 25, as this group is the least likely to cast a ballot—with only 25 per cent voting in the last federal election.

There is no excuse for not voting. When we fail to fulfill our democratic responsibility, it is an insult to our fellow citizens and to the millions of people around the world who are still fighting for universal suffrage.

Over the past decade, I have travelled to more than 40 countries working for children's rights and I have met countless people whose greatest dream is to one day cast a ballot. My most recent trip overseas was to Sierra Leone in West Africa, a country devastated by 11 years of civil war over control of the diamond trade. During the 1996 election, the government promoted voting with the slogan "The Future is in Your Hands." The rebels, a group called the Revolutionary United Front, perverted the slogan with their campaign of terror, and began to amputate hands. They would enter villages after the election and mockingly ask, "short sleeve" or "long sleeve," meaning did the person want just their hand cut off or their entire arm?

I have been in developing countries in the midst of elections and witnessed people walking for days to the nearest polling station, enduring political intimidation and violence, sometimes even risking their lives for the right to select their leaders.

Our decision whether or not to cast a ballot, and the party for which we vote, affects not only our lives, but also the lives of citizens across this country, and quite literally millions of people around the world.

Here at home, in Canada, children have no vote, no voice and little economic clout. Is it any wonder why one out of every five children live under the poverty line? That's 1.5 million—and they are children. I hope that as the politicking takes place to form a government, the leaders will remember their unanimous 1989 pledge in the House of Commons to eliminate child poverty by the year 2000. We must ask why it is that when a parent fails to take care of children, we call that child abuse, but when a government neglects its children, we call that balancing budgets. Since children do not have a vote, perhaps one party will take a leadership role to advocate the creation of a children's ombudsperson at the federal level. The individual would serve as a nonpartisan voice for the children of the country.

There is an old saying that "All politics is local." Well, its impact is global. Each political party during this federal election advanced a very different vision for the role of Canada on the world stage, especially on matters of foreign aid and the role of the Canadian Armed Forces. And yet, there is also a reciprocal effect, as the matters that are global often have an impact on the local level and as the events of September 11 showed, that impact can be very personal. When we fail to designate foreign aid to provide education for children overseas, in certain countries these kids then end up in Madrases, some of which are breeding grounds for religious extremists. When we choose not to engage peacekeepers to prevent civil war overseas, regional instability spreads and a haven for terrorists is created.

Our vote affects not only our life, but the lives of millions of others.

During this election there has been much discussion by political pundits and commentators as to why some young people don't vote. Most adults chalk it up to apathy. And I believe that's partly true. Often youth don't realize how their vote affects so many issues around the world, and they don't realize how these issues affect their lives on a daily basis. But this ignorance raises a question about our education system and our societal values: is it the young people who are failing the adults? Or is it the adults who are failing the young people? I suspect it's a bit of both.

An extensive study was conducted following the U.S. 2000 presidential elections on how to increase voter turnout, particularly among young people. (I quote an American study not out of a lack of patriotic spirit, but instead because the U.S. has studied this question to a greater extent.) The only point on which there was a unanimous consensus—shared by the candidates, political parties, returning officers and academics—was the need for enhanced voter education and information. And they stressed that this must start at the earliest ages.

Most young people are capable and willing, even searching to play a more active role in political and non-political processes to improve their society. We see this spirit and energy among the young people we work with in Leaders Today, an organization that my brother and I co-founded. Annually, Leaders Today provides 200,000 students in North America with training in leadership, civics, character education, global citizenship and community volunteerism. We host camps and conferences, speaking tours and overseas volunteer trips for students to India, Kenya, Thailand, Ecuador and Nicaragua. Here in Toronto, for example, we have established a partnership with the public and catholic boards to provide an initiative called Volunteer Now for every grade 10 student. As part of the civics curriculum, each student receives a copy of a textbook we authored called "Take Action!—A Guide to Active Citizenship." In addition, recent university graduates act as trainers for a peer-to-peer instruction program to empower a group of students from each school to become ambassadors for volunteerism and active citizenship among their peers. We hope that with the support of the government and private sector, we can spread this initiative coast-to-coast across our country.

Once the students are empowered with a greater knowledge about the political and social issues at home and abroad, we challenge them to put their new-found skills to use through volunteering in their local community, and also by helping their peers in their wider, global community. We founded Free The Children almost a decade ago. Today, it is the world's largest network of children helping children and its activities have improved the lives of more than one million children in 45 developing countries. Young people have raised funds for the construction of more than 375 primary schools, established women's alternative income co-operatives, distributed millions of dollars worth of medicines and provided over 250,000 kits filled with school supplies.

Overseas, we provide children with primary education. At home, we provide students with an education about their rights and responsibilities as citizens of Canada, and of the world.

We believe that declining voting rates—most dramatically seen in youth, but also evident among adults—and other indicators of decreasing civic participation reveal a more fundamental challenge facing our society. We live in an age when many believe that materialism equals happiness, that the world is a jungle, that you should always look for "number 1" and that the only way to succeed is by stepping on the guy below you. In this environment, how do we create a sense of community, collective responsibility, compassion and caring? Simply said, how do we help people to care for one another?

We believe that the answer lies in a fundamental shift in thinking and it starts with how we raise our children. The generation that came of age during the '80s and '90s was labelled the "Me Generation," for their rampant consumerism and self-absorption. Perhaps it is time for the "We Generation," helping young people to realize that they are part of something larger than themselves, and that they can define their self-identity and self-worth by positive contributions as members of our global village, our Canadian society within their community, schools and family. A shift from "Me to We" may seem like a simple notion. But sometimes the simplest truths are the most powerful. Just look at the election. "When you cast your ballot, did you vote in a mindset of what's best for you, individually, or what's best for us, as a country?" If you really search your soul, it's not always an easy question to answer.

We kick off our change in mindset campaign in August with the launch of a new book with "Me to We" as its title, a series of donated promotional TV commercials, and youth speakers who will be presenting in 150 middle and high schools on the subject. Noted individuals partnering with us for the project, who have contributed their personal story to the book, include Archbishop Desmond Tutu, Oprah Winfrey, Richard Gere, Kim Phuc and others.

We drew our inspiration for the "Me to We" campaign from our travels overseas. In our work with groups such as the Massai tribes of East Africa or the Puruhae Indians of Ecuador, we found a sense of community often lacking in our neighbourhoods.

During a recent trip, we brought a group of students to Ecuador. In one of the indigenous communities, high up in the mountains, we were fortunate to participate in an age-old tradition called a "minga." It occurs when neighbouring villages put aside differences and come together to work as one for the betterment of all. From great distances men, women, children, and elders came together from three villages, from three different tribes to volunteer their labour. They worked all day in the hot sun, to hoist and place the roof on a new "Kids Can Free The Children" school in one of the communities. They did not work for money or for personal gain. They came together because they shared a basic belief that their future lies in that of their children, and that this is a future that they all want to share.

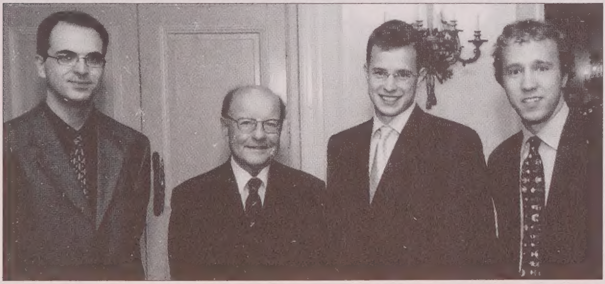
Our translator had explained to us the concept of a "minga." The elder of the village stated that the Quechuan word means "a coming together of community, to work for the betterment of all." The translator asked for the equivalent word in English. We realized that our language had no such word.

Language is an interesting construct. Anthropologists and linguists inform us that language reflects a great deal about a society and its priorities. We have all heard the old saying that the Inuit have dozens of words for snow. But in our North American English-speaking culture, we do not have a word that means "a coming together of community to work for the betterment of all."

The idea of creating a community through helping others, and of shifting our thinking from Me to We, are not simply idealistic notions from a distant land. In our own family, we can live these concepts by reading the newspaper with our children or grandchildren; establishing family volunteer days; discussing positive role models with kids, especially ones their own age; and leading by example in our own business practices.

There is a saying that the "task of every generation is to build a road to the next generation." As young people, we want to work with you to build that road for a more just, peaceful and humanitarian world. This year's Canada Day, let us celebrate our country by committing ourselves to invest in our children. They are our leaders of tomorrow—and also our leaders of today. Thank you.

The appreciation of the meeting was expressed by John C. Koopman, Vice-President, Spencer Stuart and President, The Empire Club of Canada.

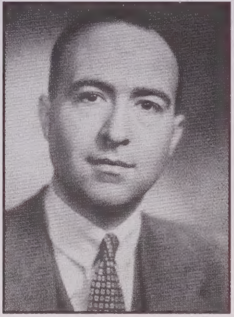


Attila Lendvai, Vice-President, Strategic Communications, Aithent and Planettoday.com, The Hon. Sinclair Stevens, Chairman, Royal Commonwealth Society Foundation, Chairman, Planet Today and Former Cabinet Minister, Government of Canada, Marc Kielburger, Executive Director, Free the Children and Rhodes Scholar and Craig Kielburger, Founder, Free the Children, International.

In Memoriam

John Griffin

Passed away on November 10, 2003



The importance of the Empire Club of Canada in the life of John Griffin is stressed in the information sent by his son, Ian, who is proud to acknowledge how honoured he was to receive a life membership from his father as a gift. Ian says that John Griffin's goals in life were to be a successful downtown Toronto businessman, to live to see his sons at the helm of his company and to make a meaningful contribution to the social and intellectual milieu of the city where he spent his entire life. John Griffin succeeded in all these areas. He co-founded Griffin House Graphics, then called Griffin Press Ltd., shortly after WWII, with his father. At the time of his retirement he was able to proudly leave the company to Tony and Andrew Griffin who were able to take it to a new level.

John was the founder of the Upper Canada Railway Society, a life-long participatory Tory and a committed patron of St. Michael's College. Among the many social clubs, intellectual organizations and causes that moved John, his favourite was the Empire Club of Canada.

He was President of the Empire Club from 1952 to 1953. Speakers he brought in included the Right Honourable Louis S. St. Laurent, Prime Minister and President of the Privy Council, Canada, "Canada in 1953," Mayor Charlotte Whitton, Mayor of Ottawa, "The Fundamental Liberties," and Lord Campion Bowes, Clerk of the British House of Commons, "Forty Years in the British House of Commons." He also served as the Honorary Chairman of the Empire Club Foundation. Ian reports that the Empire Club of Canada helped to feed John's thirst for political and economic discourse and provided him with lasting friendships including Past Presidents Sydney Hermant and Arthur Inwood.

Edward Paul Badovinac, CET, KH, OLJ, MMLJ,
Director and Chairman,
The Empire Club of Canada Yearbook

In Memoriam

Major Arthur S. Langley

Passed away on March 11, 2004

Maj. Arthur James Langley Sr., CD, BCom, MA, FRI, PLE, CPM, only child of the late Eleanora Geraldine L'Anglais, Quebec City, was born on April 24, 1924 in Toronto where he attended St. Andrew's College, ON and UTS. As a young family man while studying at the University of Toronto after his WWII service, he was awarded the Gold Medal for a 100-per-cent exam score in Accounting. His career in investments, commercial real estate and property management began at DS, now RBC/DS, where he became a junior partner in the 1960s, while he was Second-in-Command of the 29th Field Artillery Regiment.

Maj. Langley served on many boards and committees, heading both the Red Feather Campaign, now the United Way, and the highly successful 50th Anniversary Fundraising Campaign for the Toronto East General Hospital. He received a Centennial of Confederation Certificate from the City of Toronto for his efforts and was a member of the Royal Canadian Military Institute, the Royal Canadian Legion, the Rotary Club of Toronto

Eglinton and the Progressive Conservative Party, both provincially and federally.

He is survived by his wife, Edith Fergus Groundwater Langley, Lt. N/S, CAMC, son Arthur, younger daughter Trisha and eldest daughter Kathryn, a Rotarian and RCMI member, who writes that Arthur Sr. rose, in his own right, at such a young age, to lead the Empire Club of Canada even while in effect he followed the footsteps of his natural father, Lt. Col. A. E. Fitzpatrick.

Maj. Langley's leadership ensured both the significant revitalization and growth of the club's membership as he guided the Empire Club through its illustrious Diamond Jubilee Year. Maj. Langley welcomed many speakers of note including the Rt. Hon. Lester B. Pearson, Prime Minister of Canada, "A National Purpose," the Most Reverend and the Right Honourable Arthur Michael Ramsey, the Archbishop of Canterbury, Primate of All England, "Personal Responsibilities and Interdependence," the Hon. Thomas Douglas, Member of Parliament, "Canada-A Nation or a Satellite," Paul Hellyer, Minister of National Defence, "Canada's Defence," Sir John Wedgwood, Chairman and Managing Director, John Wedgwood and Sons Limited, "The Economic Consequences of General de Gaulle," and the Duke of Edinburgh.

Most significant to him, Arthur planned, then invited and hosted the speaker, the British Prime Minister, the Rt. Hon. Sir Alec Douglas-Home, our Prime Minister, the Rt. Hon. Lester B. Pearson, and Premier John Robarts, among other distinguished guests at the Empire Club's 60th Anniversary Diamond Jubilee Dinner.

Edward Paul Badovinac, CET, KH, OLJ, MMLJ,
Director and Chairman,
The Empire Club of Canada Yearbook

In Memoriam

Montague Larkin

Passed away on June 19, 2004

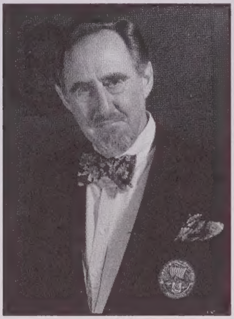


Photo courtesy of Jim Parr and the Arts & Letters Club Archives

Montague Larkin, known as Monty, was born in Abbeyleix, Ireland on August 20, 1925, of Southern Irish Protestant stock. He was an outstanding track and field athlete at school in Dublin and served as Head Prefect from 1943 to 1944. He spent four years in London in the investment business before coming to Canada where he married and earned his C.A. His successful career in financial services ended in 1995 when he became Executive Director of the Ireland Fund of Canada, a position he enjoyed very much.

Monty involved himself in volunteer organizations, holding senior positions with the Canadian Opera Company, United Nations, the Empire Club of Canada, the Toronto Arts Council and the Ontario Heart Foundation. For years he served as Chairman of the Past President's Dinner for the Empire Club, enlivening the proceedings with his limericks. He was a very active Honorary Director up to his death, especially when Irish speakers such as Jane Kennedy, MP, Minister of State, Northern Ireland Office, spoke.

For years, Monty took part in performances with the Arts and Letters Club. His colourful dress and his lively command of the English Language helped to make him a well-known figure. However, home was the farm, "Tara," in King Township, where he and his wife instilled into their children a love of nature and animals combined with an understanding of the importance of family.

Edward Paul Badovinac, CET, KH, OLJ, MMLJ,
Director and Chairman,
The Empire Club of Canada Yearbook

ANNUAL GENERAL MEETING
President's Report

June 29, 2004

Chairman
John Koopman, President

John Koopman

Reverend Byer, distinguished head table guests, Past Presidents, Board of Directors, guests and members of the Empire Club of Canada. Notice has been given that our Annual General Meeting is to be held on this date and Edward Badovinac, a director of the club, has agreed to act as Secretary for the meeting.

In accordance with Article VI, Sub-section 2, of the Empire Club's amended Constitution, I am pleased to report on the year's activities, following which I will move for adoption.

John Koopman

As the Empire Club of Canada approaches the close of another year, my emotions, I suspect like the emotions of prior Empire Club of Canada presidents are a mix of joy and melancholy.

Joy, because the year has concluded and notwithstanding my presidency the Empire Club of Canada is still solvent, its reputation as the most prestigious speakers' forum in the country remains intact, our historical record for yearbook publication has been extended one year, and my Sunday afternoons are now free to do something other than write an introduction for that week's speaker.

Melancholy, because the Empire Club of Canada has given me a unique opportunity to interact with leading men and women from all walks of life in a way that is not likely to happen again in my life. It would be surprising if again I ever lunch on a weekly basis with leaders of the stature of a Cardinal of the Roman Catholic Church, a Primate of the Anglican Church, a Prime Minister, a Leader of Her Majesty's Loyal Opposition, several candidates to become leader of Her Majesty's Loyal Opposition, two Premiers, a General, many cabinet ministers at federal and provincial levels, an Ambassador, a former Treasurer of the German CDU, a German foreign policy critic, leading captains of industry, writers, a sport commissioner and a great inspirational athlete.

Such is the prestige and reputation of the Empire Club of Canada that the forgoing list is hardly exceptional among Empire Club annals.

The Empire Club of Canada has provided me with many experiences I am unlikely to repeat. I shall not soon forget a head-table discussion between Lieutenant-Governor James K. Bartleman (his presence graced our head tables on many occasions this year) and Major General (retired) Lewis Mackenzie on the Iraqi invasion. Their discussion boiled down to i) the invasion was not sanctioned by international law; versus, ii) Saddam has killed 500,000 of his own people in the past decade, someone had to do something. Later in the year, Karsten Voigt of the German CSU gave us perhaps the most insightful analysis of the difference between American and European sentiment on the Iraqi issue that most of us have ever heard.

After I struggled and strained for perhaps 20 hours preparing an introduction for Scott McNealy, the Sun Computer CEO, as we walked in procession from the head table reception room to the luncheon room Mr.

McNealy asked me on what subject matter he should speak! Over lunch Mr. McNealy made the skimpiest of notes, and then went on to deliver a *tour de force*. The next day he apologized to the SEC in Washington for some of his more intemperate comments on the dubious wisdom of Sarbanes-Oxley.

In the year's first luncheon we were honoured to be able to provide a podium for John Weston and Chief Mountain, who addressed what may be the most important legal and moral issue facing the country in the future. Thanks to the sacrifices of Mr. Weston and Chief Mountain more Canadians are beginning to understand the implications of current federal aboriginal policy. As the year drew to a close, we were blessed with two exceptional luncheons that reminded us all of the great debt we collectively owe to those who went before us: Ted Barris who spoke to us about Juno Beach on the 60th D-Day anniversary luncheon, in the presence of several World War 11 veterans; and Thomas Reed, author of "At the Abyss," and a former close advisor to President Ronald Reagan, who provided many new insights on the subsequent Cold War. Coming soon after the poignant funeral for former President Ronald Reagan, Reed captivated our audience.

Membership

Total membership for the year 2003–2004 was 1,263 which included 92 life members, 127 spousal, 542 regular, 18 student, 184 senior and 300 head table guests.

Attendance

A total of 39 meetings for the year 2003–2004 attracted 11,231 attendees representing a mean of 288 attendees per meeting. I am also proud to report that the club raised $121,800 through corporate sponsorships and student tables. The club essentially breaks even on membership fees (which mainly cover the cost of the annual book and mailings) and luncheon tickets (lunch is sold at roughly cost). We rely on sponsorship revenue to cover the fixed costs of running our office. The Royal Bank of Canada and The Dominion of Canada General Insurance Company have been two of our more faithful sponsors in the past year.

Heritage

This year, as in other years, we tried to be true to our heritage. The Empire Club of Canada will grow and adapt to a changing world around it, as must all organizations. However, we have as in other years maintained the core elements of our tradition. We are a club of some formality and protocol, appropriate for the times, that shows respect for both our guests and the club's traditions. Guests are always introduced by their full title, and never on a casual first name basis. We regularly acknowledge and honour our history which is rooted in the Anglo-Saxon tradition. We are a loyal society and continue, as we have for the past century to toast Her Majesty the Queen of Canada at each luncheon, sing our national anthem lustily, and give thanks before our meal with a prayer that acknowledges the existence of a transcendent God.

Our annual yearbook remains a core part of our legacy. We are a speaker's forum of record and this historical opus that Empire Club of Canada members and directors have built over the course of over a century grows stronger every year.

Since the development of the Internet, data is ubiquitous. Counter-intuitively perhaps, but in the information age the Empire Club of Canada is more relevant to contemporary life than it has ever been. In the modern world we all know or have easy access to the facts. But we cannot assess credibility, sense nuance, gauge inflection, infer from tone of voice, or in any way gain the measure of a man and his character from the printed or electronic word. The Empire Club of Canada provides an opportunity to gain an ever so rare a glimpse into the character, demeanour and carriage of modern leaders from all walks of life in a way that no technological advance will ever replace. Some 44 years ago, then Empire Club of Canada President Harold R. Lawson noted in his President's Report that only in the physical presence of a great man can you touch the hem of his garment. Technology has not changed, nor will it ever change that.

Finance

Membership fees for regular membership, $50.00; spousal, $60.00; senior, $37.50; student, $30.00; and senior spousal, $50.00. Luncheon prices remain at $35.00 for members, non-member price is $45.00 and a table of ten is $400.00. We have made an effort to keep the single ticket price as low as possible. It is important that the opportunity to attend Empire Club of Canada luncheons is open to all.

The financial statements for the year ending April 30, 2004 will be presented to the Board of Directors later this year. We expect that they will show that the year roughly broke even, outside our large one-time donation to the Empire Club Foundation for publication of our 100th anniversary "Notes, Quotes and Anecdotes" volume.

In Memoriam

We recognize and regret the passing of Past Presidents John W. Griffin and Major Arthur J. Langley CD, and longtime Director and Honorary Director Monty Larkin.

Appreciation

The Empire Club of Canada thrives thanks to a small core group of loyal employees and volunteers. Debbie Testa continues to perform as the most loyal, efficient and well-organized Executive Director imaginable. Colin Wickham, who served the club loyally with great energy and zest, left us for full-time employment elsewhere. His enthusiasm will be missed. On the other hand, we were extremely fortunate to have Anne Lato re-join us after many years away. The club office is now functioning like a well-oiled machine.

Particular thanks are owed to Bart Mindszenthy and Bill Whittaker who shared duties leading the assembly of head tables. Ed Badovinac and Sandy Cameron were as professional as you could hope along with Jocelyn Badovinac who made the guests feel more than welcomed in managing the head table reception duties. Jocelyn Badovinac kindly agreed to take on the thankless task of this year's archivist, she did an outstanding job, and I am indebted to her.

Respectfully submitted,

John Koopman
President

Report of the Nominating Committee

June 29, 2004

Ann Curran

Mr. President, fellow directors, distinguished guests, and members of The Empire Club of Canada, it is my pleasure as Chair of the Nominating Committee to report on the work of the Committee which was constituted in accordance with Article III of the club's constitution.

Nominating Committee

The Empire Club constitution requires the Nomination Committee to consist of five members of the Board of Directors and four other regular members of the club, all of which need to be appointed by the Board of Directors at least 30 days prior to the AGM. The following Directors and Members constituted the committee members:

Ann Curran—Chair
John C. Koopman
Bart J. Mindszenthy
William G. Whittaker
Rev. Dr. John Niles
Blake Goldring
George L. Cooke
Jocelyn Côté-O'Hara
Jeanne Butler

Honorary Officers

The Nominating Committee is pleased to report that the Honorary Officers nominated for the 2004–2005 season are as follows:

Honorary Chairman
The Hon. Henry N. R. Jackman, OC, KStJ, OOnt, CD, LL.B., LL.D

Honorary President
Her Excellency, The Rt. Hon. Adrienne Clarkson, CC, CMM, CD
Governor General of Canada

Honorary Vice-President
The Hon. James K. Bartleman, OOnt
Lieutenant-Governor of Ontario

Honorary Chaplain
The Most Rev. Terence E. Finlay

Honorary Secretary
The Hon. David Crombie

Honorary Treasurer
Hartland M. MacDougall, CVO, OC

Honorary Solicitor
The Hon. William G. Davis, PC, CC, QC

Honorary Directors

It is the recommendation of the Committee that the following continue to serve as Honorary Directors: Leland H. Ausman, Willis L. Blair, Mary. R. Byers, The Hon. Barnett J. Danson, PC, Major William A. Duncan, CD, A. Carlyle Dunbar, William J. McCormack, CA, Larry Stout, and J.A.William Whiteacre, MM, CD, QC.

Directors

According to the club's constitution "the Board of Directors shall consist of forty members...including at least four Past Presidents of The Empire Club of Canada, one of whom shall be the immediate Past President and the three others shall be the three Past Presidents immediately preceding the immediate Past President..."

Therefore, in recognition of this constitutional requirement, the Committee nominates the following Past Presidents as Directors of the club:

the immediate Past President, John Koopman

and also Ann Curran, William D. Laidlaw and
Catherine Steele

Furthermore, the Nominating Committee recommends that the following members of the Board of Directors continue to serve in the coming year:

David Agnew
Edward P. Badovinac
The Rev. Kim Beard
Bonnie Brownlee
L.Col. A.G. (Sandy) Cameron
Charles S. Coffey
Diana Conconi
Verity Craig
Heather C. Devine
Heather Ferguson
Anne Fotheringham
Fred Gorbet
Duncan N. R. Jackman
David L. Lindsay
Malcolm J. MacKillop
Don McCutchan
Bart J. Mindszenthy
Doug Morris
Lou Natale
Kevyn Nightingale
Rev. Dr. John Niles
Loudon Owen
Dale Patterson
Tim Reid
Margaret Samuel
Robin V. Sears
Ken Shaw
C. Alexander Squires
Catherine S. Swift
William G. Whittaker

Resignations

I would like to take this opportunity to pay tribute to Fiona Blondin, Diane Francis, David J. McFadden, Sharon Rudy and Harry Swain for their contribution to The Empire Club of Canada.

New Directors

The Nominating Committee is pleased to nominate the following new members for the Board of Directors:

Roxanne Benoit
Bruce Bowser
Kamal Hassan
Raj Kothari
Jo-Ann McArthur
Andy Spears
Effie Triantifiloupoulos
William F. White
John Wright

Officers

In addition to the above-mentioned nominees, the Committee recommends the election of the following three people who will be proposed to the Board of Directors for appointment to the positions of Vice-President and Director:

1st Vice-President and President-Elect
William G. Whittaker

2nd Vice-President and Director
The Reverend Dr. John S. Niles

3rd Vice-President and Director
Charles S. Coffey

The Nominating Committee is pleased to report that C. Alexander Squires has agreed to continue as the club's Secretary and that Kevyn Nightingale has agreed to continue as the club's Treasurer. Both

Alex and Kevyn will also serve as Directors of the club.

Finally, your Committee is pleased to nominate as President and Director of The Empire Club of Canada for its 2004–2005 season Bart J. Mindszenthy.

Respectively submitted,

Ann Curran

Chair, Nominating Committee

I, Ann Curran, hereby move that the report of the Nominating Committee be accepted and approved by members in attendance at this meeting.

Mr. Chair, if you would kindly ask for a seconder.

Seconded by Ed Badovinac.

Then a motion to close nominations by Bill Laidlaw.

Seconder for that motion: Sandy Cameron.

The secretary then casts a single ballot in favour of those persons named in the report in accordance with Article III 3.

Cast single ballot.

THE EMPIRE CLUB OF CANADA
Membership 2003–2004

Life Members

John N. Adams
William Allan
Stephen Andrunyk
Mr. & Mrs. Leland H. Ausman
Ruby P. Avison

Mr. & Mrs. Edward P. Badovinac
Joseph Batty
Willis L. Blair
R. L. Broad

Mrs. Charles Carter
Sir Arthur R. T. & Lady Chetwynd
Mr. & Mrs. Elgin E. Coutts
Nola Susan Crewe
Dorothy Crummey
Matthew Currie

George C. Damiani
Douglas A. C. Davis
Elvio DelZotto
Mr. & Mrs. D. L. Derry
Robert G. Douglas
Mr. & Mrs. E. A. Duvernet

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Col. C. Sidney Frost Jr.

George Raymond Gibson
Kenneth G. Graham
Patricia A. Grand
Wayne Scarisbrick Gray
Ian Griffin

George S. Hanson
Paul T. Hellyer
Roland E. Henderson
Adam B. T. Hermant
Peter Hermant
John D. Herrick
Col. R. H. Hilborn
Dorothy Hobbs

Arthur Inwood
John F. Irwin

Dr. & Mrs. Frederick L. R. Jackman
The Hon. Henry N. R. Jackman
Friederich Jung

John Kemp

George R. Laidlaw
Anne Lato
John V. Lawer
M.Gen. Bruce J. Legge
Kenneth Legge
Eric N. Lehner
James D. Lewis
Mr. & Mrs. D. D. Lucas
Joseph F. Luciano

Nona Macdonald Heaslip
John A. & Gail MacNaughton
Ewald P. Mazurek
Fred G. McBrien
John S. G. McCrimmon
F. Y. McCutcheon
James W. McCutcheon
Konrad R. W. Mech
Mr. & Mrs. Edwin Mirvish
D. V. Mosher
Clifford N. Moss

John F. Nagel
James G. A. Naish
Chris Nickerson

Maj. R. B. Oglesby

Norman Pearson
Dr. Sheila Pollock
D. A. Pryer

Stevan Ralph
Grant L. Reuber
John E. Richardson
Rev. Canon & Mrs. H. F. Roberts
Helen E. Roman Barber
The Hon. Col. R. C. Rutherford

J. A. Seyfried
Mrs. H. R. Shaver
Dr. & Mrs. W. K. Shultis
Sam Sniderman

Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder
Mr. & Mrs. G. G. Steele

Graham John Tappin
Mrs. Barton F. Teasdale
K. R. Thomson
Leonard I. Turkevics
R. Turnbull
L.Col. P.J. Tuz

Douglas S. Wells
Rod Whale

Andrew Stephen Zarnett

Senior Members

H. H. Alexander
R. F. K. Anthony
Bluma Appel
G. Warren Armstrong
Douglas B. Astley

Bill Bahen
Betty Balmer
Sonja Bata
K. J. Beamish
Josephine Beard
A. L. Beattie
Ruth Beaucage
Fred E. Becker
Rosemarie Bell
Gerard R. Berlinguette
Dr. Henry Berry
Barbara Birchwood
Peter J. Bloemen
William B. Bot
Helene Boughton
Gloria Boyd
Helen Brisbin
David Buck
Roel C. Buck
Alexander Budrevics
Mary R. Byers

L.Col. A. G. Sandy Cameron
B.Gen. Peter Cameron
Dorothea Carter
Col. John Catto
E. J. Chard
Luba Chavels
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A. Carlyle Dunbar

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Col Hunter

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James & Carol Wood

Ernst Younes

Michael Zygocki

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Alik Kassner
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Michael Langstaff
Jakko Larma
Joe Lassaline
Oxana Latsyk
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Douglas Layton
Enio Lazzer
Nicholas Le Pan
Stephen LeDrew
Ralf Leitner
Jimmy Leung
Roslyn Levy
Trevor Lewis
Mark Lievonen

Mary Liitoja
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Garth Low
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Charles Lunnin

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Dave MacDonald
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Murray MacKenzie
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Don McGuire
James McIlroy
Gordon K. McIvor
Michael J. McLaughlin
Lawrence M. McLean
John McLennan
S.R. (Bud) McMorran
Andrew G. McMurtry
Greg McNab
Ian D.C. McPhail
Amanda McWhirter
Lee Meister
Monika Melao
Dennis Melnbardis
J. Alexander Menzies
Anwar (Andy) Merchant
Robert J. Metras
Steven Mills
Dave Milton
Philip Mirabelli
David Mirvish
R. Peter Misener
Al Mishra
Joanne Modugno
Byron Moffitt
Linda Montgomery
David Moore
Erlinda Mopas
Sylvia A. Morawetz
Nagui Morcos
Myles Morin
W. F. Morneau Sr.
Denis Morrice
Doug Morris
Dr. Jean A. Moss
Robert Mowat
Bridget M. Munnoch
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Graham Murray
Karen Murton
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Jeffrey M. Musson
John G. Myers

Gary A. Nacht
Stanley Naftolin
Al Nagaraj
Chris Nelson
Dawn M. Nevills
Peter G. Nicol
Kevyn Nightingale
Rev. Dr. John Niles
Malcolm S. Nobbs
Michael J. Norris
Dr. Roy Norton

Janice O'Born
Robert O'Brien
Thomas O'Carroll
Johan Ogren
Dan T. J. Oh
Derek Oland
Peter Olierook

Catherine O'May
Trudy Ormond
Helena B. Ostrovski
Jean Ouellet
Loudon Owen

A. John Page
Michael Papadakis
Vasilios Papoutsis
Pat Parisi
Roland Paxton
Kerry Peacock
Miriam Pearlman
Brian John Pearson
Lawrence Pentland
Rick Penton
Raj Phalpher
Julian Piccolo
Marion Plunkett
Tim Pollen
Dave Pomeroy
Tom Powers
Stefan J. Preisenhammer
William F. Presnail
Andy Pringle
Raymond J. Protti
Tom Prychitka
Jamie Purves

Gerald E. Quinlan

Dr. Sophie Radziuk
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Manfred Rainer
David Raymont
Jo-Anne Raynes
Tony Read
Darcy Rector
Richard John Reeves
Doreen Reeves
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Patrick Reid
Tim Reid
Ester Reyes
Peter Ricciardi
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Ingrid Lutter Sommer
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G.C. Anderson & B.H. Orr

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Dale and Joan Patterson
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Elan and John Prentice
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Rita Smith-Stokes & Victor Stokes
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Glenn M. & Renee Walker
Joseph Wellman
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Christopher and Janine White
Carolyn & William Whittaker

Student Members

Francisco Carlos
Robert Carmona
Khaled Chaabouni

Alexander Edmison

David Andrew Victor Free

Michele Haaparraki

Cesar Kupfer
Matthew Kupfer

Gregory Marshall
David Mawhinney

Roland C. Pajares
Michael Pan

Marc Reeve-Newson
Geoffrey Ritchie

Manoj Saxena
Vincenzo Spogli

Chris Yaccato

Melissa Yuen

Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the statement of financial position of The Empire Club of Canada as at June 30, 2004 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the club as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
Sepember 3, 2004

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Financial Position for the Year Ended June 30, 2004 with Comparative Figures for 2003

	2004	2003
Assets		
Current Assets		
Cash	$ 52,520	$ 87,590
Short-term investments (note 2)	$328,899	$316,978
Accounts receivable	29,209	44,828
Inventory	1,680	1,680
Prepaid expenses	4,078	1,938
	416,386	453,014
Capital Assets (note 3)	1	1
	$416,387	$453,015
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 50,929	$ 80,552
Due to The Empire Club Foundation	25,000	25,273
Deferred revenue	6,631	10,041
	82,560	115,866
Net Assets	333,827	337,149
Commitments (note 4)		
	$416,387	$453,015

Signed on behalf of the Board

Kevyn Nightingale
Treasurer

John Koopman
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Cash Flows for the Year Ended June 30, 2004 with Comparative Figures for 2003

	2004	2003
Cash provided by (used in):		
Operations		
Excess of revenue over expenses (expenses over revenue)	$ (3,322)	$ 26,897
Change in non-cash operating working capital:		
Short-term investments	(11,921)	(316,978)
Accounts receivable	15,619	(29,217)
Prepaid expenses	(2,140)	22,304
Accounts payable	(29,623)	17,574
Due to The Empire Club Foundation	(273)	170
Deferred revenue	(3,410)	2,138
Decrease in Cash	(35,070)	(277,112)
Cash, Beginning of Period	87,590	364,702
Cash, End of Period	52,520	87,590

Signed on behalf of the Board

Kevyn Nightingale
Treasurer

John Koopman
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Operations and Net Assets for the Year Ended June 30, 2004 with Comparative Figures for 2003

	2004	2003
Revenue		
Membership fees	30,690	484
Luncheons		
Regulars	37,947	18,305
Specials and joints	56,563	5,101
Head table sponsors	70,900	20,600
Centennial event	(1,997)	8,554
Interest	9,339	1,782
Centenary book sales	680	—
Ties, scarves and tea	19	—
	204,141	54,826
Expenses		
Meetings	1,095	—
Members' notices	24,361	4,920
Office and general	31,341	6,680
Office salaries and employee benefits	81,357	12,752
Printing, stationery and postage	6,346	393
Rent	11,928	2,121
Telephone	5,390	1,063
Yearbook donation and sundry	45,000	—
Bad debts	645	—
	207,463	27,929
Excess of Revenue over Expenses (Expenses over Revenue)	$ (3,322)	$ 26,897
Net Assets, Beginning of Period	$337,149	$310,252
Net Assets, End of Period	$333,827	$337,149

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements
for the Year Ended June 30, 2004

1. General

The club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the club is to provide a forum for prominent people to address members of the club and their guests on topics of current interest.

2. *Significant Accounting Policies*

(a) Revenue Recognition
The club follows the deferral method of accounting for contributions. Membership revenue is recognized as revenue in the year to which the membership relates. Luncheon revenue and sponsorships are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and interest are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Short-term Investments
Short-term investments are recognized at the lower of cost or market.

(c) Inventory
Inventory is valued at the lower of cost and net realizable value.

(d) Capital Assets
Capital assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as office and general expenditures in the year acquired.

(e) Due to The Empire Club Foundation
A donation to The Empire Club Foundation for the estimated cost of supplying the club's membership with the yearbook of the current year is accrued each year.

(f) Deferred Revenue
Deferred revenue consists of membership fees paid in advance, unredeemed luncheon tickets and life memberships not yet amortized. Life memberships are amortized into revenue over the expected 30-year life of a member. Effective April 30, 2002, life memberships are no longer offered; however any remaining balances will continue to be amortized over their remaining terms.

(g) Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and changes in net assets during the year. Actual results could differ from those estimates.

3. *Short-term Investments*

Short-term investments are compriseed of fixed income securities which mature between September 2004 and June 2005.

4. *Capital Assets*

During the year, $7,202 in computer equipment and software was expensed as office and general expenditures.

5. *Commitments*

The club has entered into a lease agreement for premises expiring on September 30, 2005.

Minimum annual lease rental payments under this agreement are as follows:

2005	10,200
2006	2,550
	$12,750

6. *Fair Values of Financial Instruments*

The carrying values of cash, short-term investments, accounts receivable, accounts payable, due to the Empire Club Foundation and deferred revenue approximate their fair values due to the relatively short term to maturity of these instruments or because they are receivable or payable on demand.

THE EMPIRE CLUB FOUNDATION

June, 2005

Ladies and gentlemen:

This is the 100th yearbook published on behalf of the Empire Club of Canada. To have a continuous record of 100 yearbooks is a testament to the success of the Empire Club, its past presidents and board members to attract speakers of the highest calibre. This year is no exception and John Koopman is to be commended for a very successful year.

This year's keepsake is being provided to you by the Empire Club Foundation, which, thanks to your support, has made books like this available each year to members as well as public and educational libraries across Canada and to Canadian embassies since the club's founding over 100 years ago.

The speeches are also available to the public on our Web site, www.empireclubfoundation.com. These speeches have now been indexed and will allow individuals to access by speaker, title, keyword topic or date of publication. This will provide more user-friendly access and be a valuable resource for researchers.

These books and speeches would not be possible without the generosity of the many mentors and friends of the Empire Club of Canada. On behalf of the foundation, I thank you for your generous support.

Sincerely,

David A. Edmison
Chairman

THE EMPIRE CLUB FOUNDATION

Patron

Col. The Hon. Henry N. R. Jackman, OC, CD, KStJ, LL.D

Officers

Chairman: David A. Edmison, CFA
Honorary Secretary: William G. Whittaker, QC
Honorary Treasurer: Richard Goodall, CA
Past Chairmen: Douglas L. Derry, FCA
Bruce J. Legge, CMM, CM, KStJ, ED, CD, QC
Robert H. Hilborn, LVO, MBE, CD
John A. MacNaughton
Reginald W. Lewis, CMM, CM, OStJ, CD

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Edward P. Badovinac
John F. Bankes
Mary R. Byers
C. Warren Goldring
Ronald Goodall, FCA
Frederick L. R. Jackman, CStJ, PhD, LL.D
John C. Koopman
Gareth S. Seltzer
Harry T. Seymour

THE EMPIRE CLUB FOUNDATION CONTRIBUTORS April 30, 2003–April 30, 2004

PATRONS ($1,000.00 or more)

Bank of Montreal

Bank of Nova Scotia

E.W. Bickle Foundation

Mr. David A. Edmison

Mr. Warren Goldring

The Jackman Foundation

The Hon. Henry N. R. Jackman

Mercedes-Benz Canada Inc.

Mr. & Mrs. William White

ENDOWMENT BENEFACTORS ($500.00 to $999.00)

Mr. & Mrs. Edward Badovinac

The Hermant Family Foundation

Imperial Oil Limited

Mr. H.M. MacDougall

Mr. John Nagel

BENEFACTORS
($250.00 to $499.00)

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- Mr. Douglas L. Derry
- Mrs. Heather Devine
- GlaxoSmithKline
- Mr. & Mrs. Harry Kim
- Mr. John Koopman
- Mr. Peter Large
- Mr. & Mrs. Reginald Lewis
- Ms. Nona MacDonald
- Mr. John MacNaughton
- Mr. David Moore
- Pacific & Western Bank of Canada
- RBC Financial Group
- Royal Bank of Canada
- Ms. Nan Shuttleworth
- Mr. R.B. Stapells
- Mr. William Whittaker

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($100.00 to $249.00)

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Capt. Sam Billich

Mr. Peter Bloemen

Mrs. Mary Byers

Mr. Alexander Cameron

Mrs. Dorothea Carter

Mrs. Catherine Charlton

Mr. Carlyle Dunbar

Mr. Ronald Goodall

Mr. Frederick Gorbet

Mrs. Isobel Grosart

Mr. & Mrs. Donald Lander

Mr. John Leitch

Dr. Ian MacDonald

Mr. H.M. MacDougall

Mr. Bart Mindszenthy

The Hon. Joseph Potts

Mr. Joseph Sorbara

Mrs. A. Squires

Mr. Reginald Stackhouse

DONORS
($100.00 to $249.00) *continued*

Mr. Larry Stout

Incorporated Synod of the Diocese of Toronto

Mr. Peter White

Mrs. Gwyne Willmot

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the statement of financial position of The Empire Club Foundation as at April 30, 2004 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations from supporters, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2004 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
December 17, 2004

Financial Report

THE EMPIRE CLUB FOUNDATION
Statement of Financial Position for the Year Ended April 30, 2004 with Comparative Figures for 2003

	2004	2003
Assets		
Current Assets:		
Cash	$101,423	$ 18,350
Short-term investments	—	124,251
Accounts and interest receivable	8,118	5,183
Due from The Empire Club of Canada	45,000	25,000
	$154,541	$172,784
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 87,750	$ 80,748
Net Assets	66,791	92,036
	$154,541	$172,784

Signed on behalf of the Board

David Edmison
Treasurer

Ronald Goodall
Director

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION Statement of Operations and Net Assets for the Year Ended April 30, 2004 with Comparative Figures for 2003

	2004	2003
Revenue		
Donations:		
The Empire Club of Canada	$ 45,000	$ 25,000
Supporters	33,426	11,454
Interest	1,820	1,144
	$ 80,246	$ 37,598
Expenses		
Yearbook	62,846	41,575
Centenary book	41,464	2,000
Stationery, postage and other expenses	1,181	1,233
Web page index	—	7,750
	$ 105,491	52,558
Excess (Deficiency) of Revenue over Expenses	(25,245)	(14,960)
Net Assets, Beginning of Year	92,036	106,996
Net Assets, End of Year	$ 66,791	$ 92,036

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements for the Year Ended April 30, 2004

1. *The Foundation*

   The Empire Club Foundation (the "Foundation") was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada, to the club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Significant Accounting Policies*

   These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

   The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Those estimates are reviewed periodically and as adjustments become necessary, they are reported in the years in which they become known.

   (a) Revenue Recognition:

   The Foundation includes donations in revenue when received, except for donations from The Empire Club of Canada, which are included in revenue when pledged.

(b) Expenses:

The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

3. *Statement of Cash Flows*

A statement of cash flows has not been presented as it would not provide any additional meaningful information.

4. *Fair Value of Financial Assets and Financial Liabilities*

The carrying values of cash, short-term investments, accounts and interest receivable, due from The Empire Club of Canada and accounts payable and accrued liabilities approximate their fair values due to the relatively short term to maturity of these items or because they are receivable or payable on demand.

CONSTITUTION

As amended June 26, 2003

Organisation of the Club

ARTICLE I

Name

1. The Name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members
   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminated at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly

proposed may be elected life members by a two-thirds majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organisation shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by

---

[1] *By resolution of the Board, November, 1981, and under Article II, 4, of the constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

the board of directors, provided that such fee shall not be less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom ten shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the

number of directors necessary, the chairman of the meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person

other than the Honorary President and the Honorary Vice President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
    (a) Budget and Finance Committee
    (b) Speaker's Committee
    (c) Membership Committee
    (d) Constitution Committee
    (e) Reception Committee
    (f) Publicity and Public Relations Committee
    (g) Yearbook Committee
    (h) Head Table Committee

provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than June 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Amendment to By-Law A

The President stated that the Directors at their last meeting had amended the General By-Law of the club so that the first Vice-President could be designated in the future as first Vice-President and President-Elect. This change was required to be confirmed by the members and accordingly

ON MOTION DULY MADE, SECONDED, AND UNANIMOUSLY CARRIED, it was resolved that the following amendment to Paragraph 1 of Article IV of By-Law No. A be confirmed:

Officers

The officers shall consist of an Honorary President, an Honorary Vice-President, a President, a first Vice-President and President-Elect, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary and a Secretary-Treasurer. The Board of Directors may from time to time elect or appoint such other officers as it shall deem necessary. The President, the First Vice-President and President-Elect, the Second Vice-President and the Third Vice-President shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing.